

# **COUNTY OF ALPENA, MICHIGAN**

Financial Statements  
For The Year Ended December 31, 2007

**STRALEY, ILSLEY & LAMP P.C.**

# **ALPENA COUNTY**

## **BOARD OF COMMISSIONERS**

Dale Bell - District 1

Richard A. Donakowski - District 2

Thomas Mullaney - District 3

Lyle VanWormer - District 4

Gerald Fournier - District 5

Mark Hall- District 6

Cam Habermehl - District 7

Bill Estlack - District 8

### **Probate Judge**

Thomas J. LaCross

### **District Judge**

Theodore O. Johnson

### **Circuit Judge**

John F. Kowalski

### **County Officials**

#### **Clerk**

Bonnie Friedrichs

#### **Treasurer**

Joelyn K. McCallum

#### **Sheriff**

Steven Kieliszewski

#### **Prosecuting Attorney**

Dennis P. Grenkowicz

#### **Register of Deeds**

Kathy J. Matash

#### **Coordinator**

Jeff Thornton

Population (2000 Census) – 31,314

2007 Taxable Value -- \$900,659,792

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December 31, 2007

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### **INDEPENDENT AUDITORS REPORT**

To the Board of Commissioners  
**Alpena County, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Alpena County, Michigan**, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Alpena County, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alpena General Hospital, representing 64% of the assets, 54% of the net assets, and 88% of the revenues of the discretely presented component units, and the Alpena County Road Commission, representing 31% of the assets, 41% of the net assets, and 6% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Alpena General Hospital and the Alpena County Road Commission is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Alpena County, Michigan** as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also separately issued our report dated May 30, 2008 on our consideration of **Alpena County's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise **Alpena County, Michigan's** basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Straley, Irlby & Lamp P.C.*

May 30, 2008

County of Alpena

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the County of Alpena, we offer readers of the County of Alpena's financial statements this narrative overview and analysis of the financial activities of the County of Alpena for the fiscal year ended December 31, 2007.

### Financial Highlights

- The assets of the County of Alpena exceeded its liabilities at the close of the most recent fiscal year by \$29,645,549 (*net assets*). Of this amount, \$15,280,573 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County of Alpena's total net assets increased by \$1,762,522. This was the result of an increase in the net assets of governmental activities of \$1,665,138 and an increase in the net assets of business-type activities of \$97,384.
- The County of Alpena provided services of \$14,072,375 in governmental activities and \$95,112 of business-type activities for expenses totaling \$14,167,487 during the year ended December 31, 2007.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,002,128 or 23.7 percent of total general fund expenditures and operating transfers to other funds in comparison to \$1,564,084 at the close of the prior year, an increase of \$438,044.
- At December 31, 2007 the County had \$1,760,709 of its general operating tax millage set aside in its revenue sharing reserve fund to provide a funding mechanism to serve as a substitute for the elimination of state revenue sharing.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County of Alpena's basic financial statements. The County of Alpena's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County of Alpena's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County of Alpena's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County of Alpena is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County of Alpena that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County of Alpena include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and cultural, and other. The business-type activities of the County of Alpena include the Delinquent Tax Payment Fund.

County of Alpena

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The government-wide financial statements include not only the County of Alpena itself (known as the *primary government*), but also the Alpena General Hospital, Alpena County Road Commission, Alpena County Library, and several Multi-county agencies for which the County of Alpena is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The County of Alpena Building Authority, although also legally separate, functions for all practical purposes as a department of the County of Alpena, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Alpena, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Alpena can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County of Alpena maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Ambulance, Housing, and Revenue sharing funds, all of which are considered to be major funds. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

**Proprietary funds.** The County of Alpena maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County of Alpena uses enterprise funds to account for its Delinquent Tax Payment fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County of Alpena's various functions. The County of Alpena uses internal service funds to account for its building and grounds maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Delinquent Tax Payment fund, which is considered to be a major fund of the County of Alpena. Conversely, the internal service fund is a single presentation in the proprietary fund financial statements.

County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County of Alpena's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-56.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County of Alpena's general and major governmental funds' budget comparisons. Required supplementary information can be found on pages 57-59 of this report.

Combining and individual fund statements and schedules can be found on pages 60-85 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Alpena, assets exceeded liabilities by \$29,645,549 at the close of the most recent fiscal year.

The largest portion of the County of Alpena's net assets \$15,280,573 (51.5%) reflects its (*unrestricted net assets*) which represents funds available to meet the government's ongoing obligations to citizens and creditors. The investment in capital assets \$11,509,530 (38.8%) (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that are still outstanding. The County of Alpena uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County of Alpena's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COUNTY OF ALPENA'S, Net Assets**

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$12,182,648	\$11,351,987	\$8,987,582	\$8,880,962	\$21,170,230	\$20,232,949
Capital assets	13,924,745	13,754,703	-	-	13,924,745	13,754,703
Total assets	26,107,393	25,106,690	8,987,582	8,880,962	35,094,975	33,987,652
Current liabilities	3,464,614	3,532,775	9,236	-	3,473,850	3,532,775
Non-current liabilities	1,975,576	2,571,850	-	-	1,975,576	2,571,850
Total liabilities	5,440,190	6,104,625	9,236	-	5,449,426	6,104,625
Net assets:						
Invested in capital assets, net of related debt	11,509,530	10,629,797	-	-	11,509,530	10,629,797
Restricted	2,855,446	2,869,206	-	-	2,855,446	2,869,206
Unrestricted	6,302,227	5,503,062	8,978,346	8,880,962	15,280,573	14,384,024
	<u>\$20,667,203</u>	<u>\$19,002,065</u>	<u>\$8,978,346</u>	<u>\$8,880,962</u>	<u>\$29,645,549</u>	<u>\$27,883,027</u>

County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

An additional portion of the County of Alpena's net assets \$2,855,446 (9.7%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County of Alpena is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets experienced an increase of \$1,762,522 during the current year. This was the result of Governmental activities ongoing revenues outstripping similar increases in ongoing expenses by \$1,665,138. Business-type activities experienced an increase of \$97,384 in net assets during the current fiscal year.

**COUNTY OF ALPENA'S, Changes in Net Assets**

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 4,788,366	\$ 5,239,595	\$ 422,352	\$ 466,759	\$ 5,210,718	\$ 5,706,354
Operating grants	2,718,030	2,345,007	-	-	2,718,030	2,345,007
Capital grants	752,056	462,100	-	-	752,056	462,100
General revenues:						
Property taxes	6,494,261	7,394,761	-	-	6,494,261	7,394,761
Investing earnings	384,800	305,763	370,144	352,473	754,944	658,236
Transfers	600,000	600,000	(600,000)	(600,000)	-	-
Total revenues and transfers	15,737,513	16,347,226	192,496	219,232	15,930,009	16,566,458
Expenses:						
Legislative	211,390	202,180	-	-	211,390	202,180
Judicial	1,549,784	1,298,855	-	-	1,549,784	1,298,855
General government	3,269,752	3,216,785	-	-	3,269,752	3,216,785
Public safety	4,378,434	3,918,930	-	-	4,378,434	3,918,930
Public works	2,971	1,913	-	-	2,971	1,913
Health and welfare	1,927,530	2,022,785	-	-	1,927,530	2,022,785
Economic development	271,167	662,006	-	-	271,167	662,006
Recreation and cultural	2,325,755	2,949,893	-	-	2,325,755	2,949,893
Interest on long-term debt	135,592	182,068	-	-	135,592	182,068
Delinquent tax fund	-	-	95,112	154,901	95,112	154,901
Total Expenses	14,072,375	14,455,415	95,112	154,901	14,167,487	14,610,316
Change in net assets	1,665,138	1,891,811	97,384	64,331	1,762,522	1,956,142
Net assets - beginning of year	19,002,065	17,110,254	8,880,962	8,816,631	27,883,027	25,926,885
Net assets - end of the year	<u>\$20,667,203</u>	<u>\$19,002,065</u>	<u>\$8,978,346</u>	<u>\$8,880,962</u>	<u>\$29,645,549</u>	<u>\$27,883,027</u>

County of Alpena

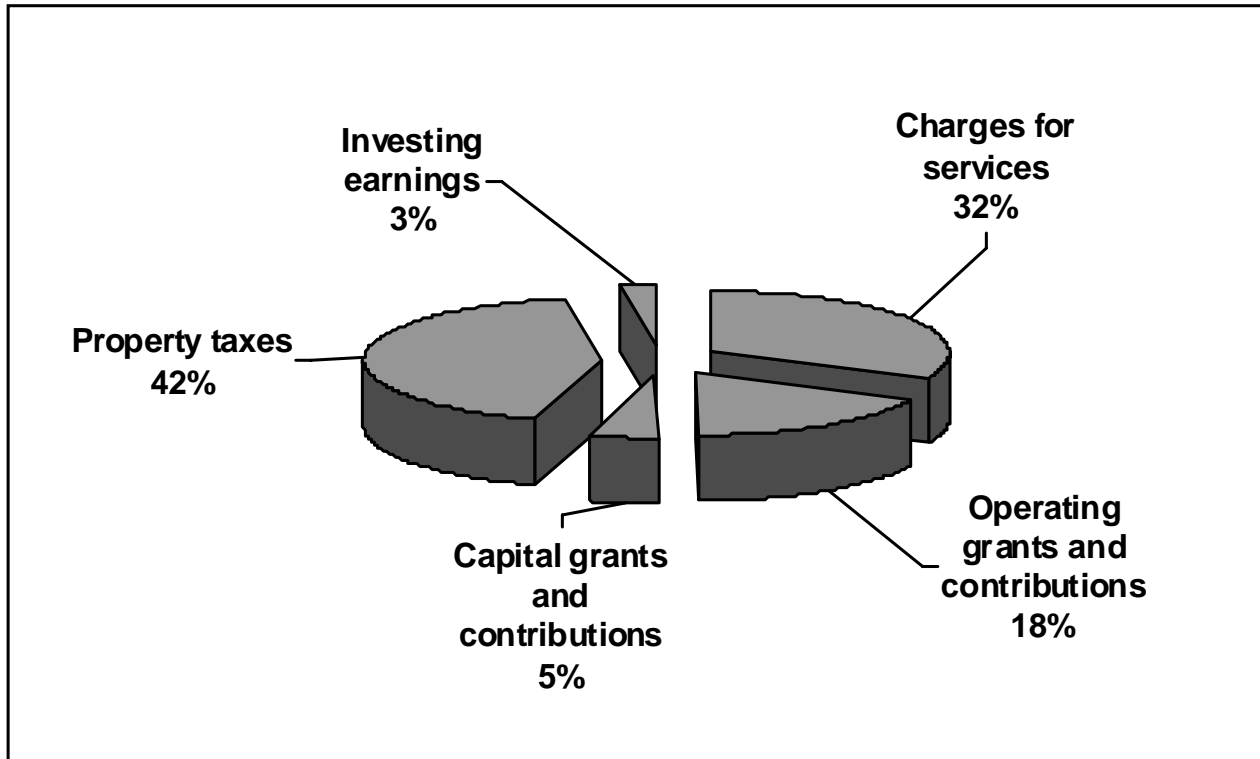
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Governmental activities.**

The following chart depicts revenues of the governmental activities for the year ended December 31, 2007:

**Revenues by source - governmental activities.**



In total, 2007 governmental activities program revenues increased by \$211,750 in comparison to 2006 revenues. This net increase reflects an increase in operating grants of \$373,023 and capital grants of \$289,956. The charge for services revenue, which reimburses the County for specific activities, is the second largest source of governmental activity revenue at 30.4%. The \$4,788,366 earned in 2007, however, represents a decrease of \$451,229 over the \$5,239,595 earned in 2006.

Property taxes and charges for services account for over 71.7% of the governmental activities revenue sources.

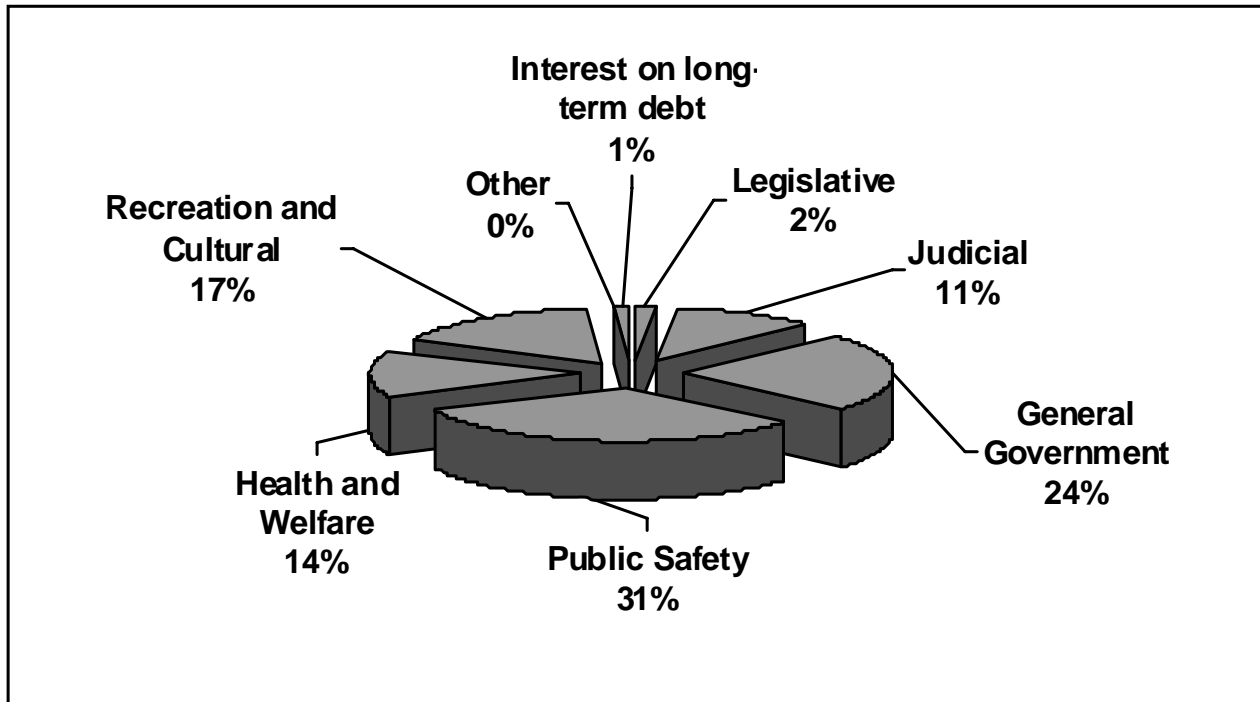
Property tax revenue, which is not assigned to any particular activity, remains the largest support for governmental activities at 41.3%. The property taxes for the County of Alpena decreased by \$900,500 in 2007 from the previous year as a result of the completion of the three year phase in of the summer tax collection that funded the revenue sharing reserve fund. The property tax revenues should increase in future years as the equalized values of real and personal property increased in 2007 to \$1,154,672,041 from \$1,116,554,765.

The county was also able to increase its investment earnings in 2007 to \$384,800 from \$305,763 in 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Expenses by function/program - governmental activities.**



Total governmental activity expenses decreased in 2007 by \$383,040 over 2006 expenses. For the most part, other activities experienced an increase in expenses that closely paralleled inflation and growth in the demand for services. Alpena County continues to attempt to make reductions in expenditures to match the elimination of state shared revenue. Reductions occurred in the recreation and culture, health and welfare, and interest on long-term debt functions which decreased by \$765,869 over 2006.

Public safety continues to be the largest governmental activity, expending \$4,378,434 of the \$14,072,375 total (31.1%). General government expenses are the second largest category at \$3,269,752 (23.2%). Recreation and culture expenses are the third largest category at \$2,325,755 (16.5%). Over seventy percent of the 2007 governmental activity expenses are a result of these three activities.

County of Alpena

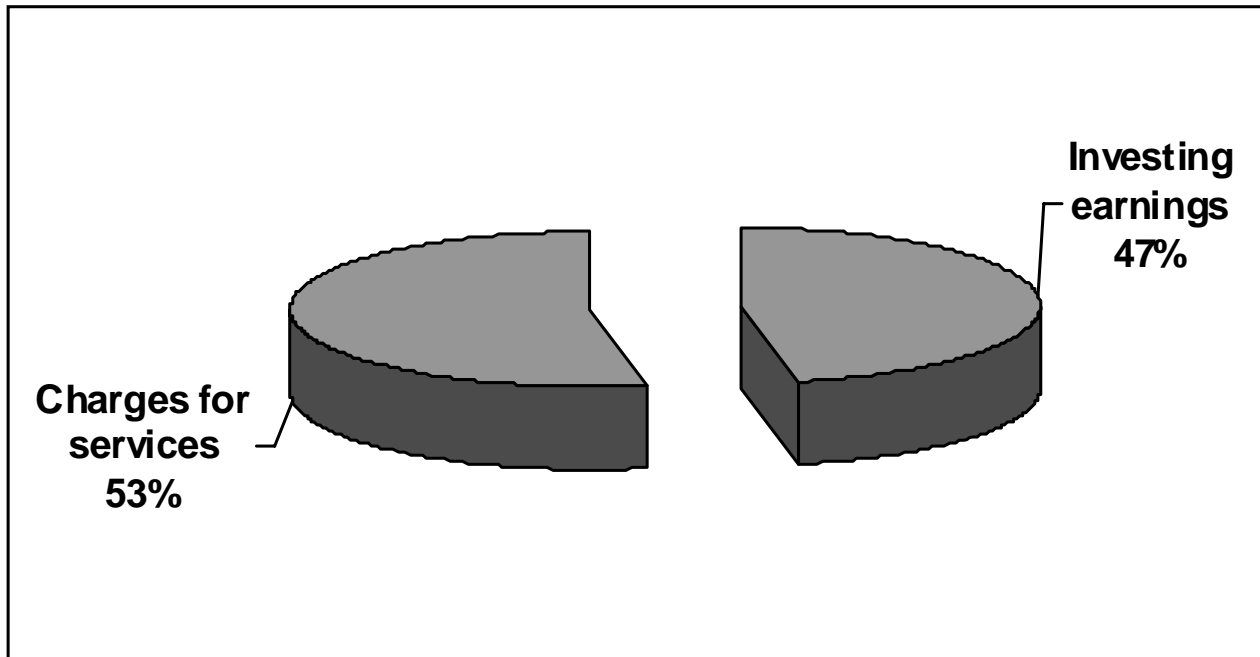
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Business-type activities.** The Delinquent Tax Payment Fund continues to provide local units within the County payment for their delinquent real property taxes. The operation of this fund continues to be a source of revenue to the County. As a result of earning \$697,384 in the operation of the delinquent tax payment fund in 2007, \$600,000 was able to be transferred as an appropriation to the County of Alpena General Fund to subsidize the governmental activity expenses.

**COUNTY OF ALPENA'S, Cost of Services – Business-type Activities**

	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Net Cost of Services</u>
Functions/Programs:			
Delinquent Tax Revolving	<u>\$ 95,112</u>	<u>\$ 422,352</u>	<u>\$ (327,240)</u>
Total expenses	<u><u>\$ 95,112</u></u>	<u><u>\$ 422,352</u></u>	<u><u>\$ (327,240)</u></u>

**Revenues by source - business type activities.**



County of Alpena

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Financial Analysis of the Government's Funds

As noted earlier, the County of Alpena uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County of Alpena's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County of Alpena's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County of Alpena's governmental funds reported combined ending fund balances of \$7,037,294 an increase of \$770,192 in comparison with the prior year. Approximately 92.0% of this total amount (\$6,477,876) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$256,837) 2) for future capital outlay (\$141,653), and 3) for donor restrictions/other (\$160,928).

The general fund is the chief operating fund of the County of Alpena. At the end of the current fiscal year, the fund balance of the general fund was \$2,132,580, of which \$2,002,128 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represented 23.7% of total general fund expenditures and operating transfers to other funds.

The fund balance of the County of Alpena's general fund was increased by \$430,164 during the current fiscal year. Key factors are as follows:

- The General fund was able to increase its tax revenues \$271,702. The Delinquent Tax payment Fund and the Revenue Sharing Reserve Fund was able to subsidize General Fund operations by \$600,000, and \$682,397, respectively. The Child Care – Probate Court fund was able to return \$100,000 from unexpended appropriations of prior years. Overall the General fund experienced an increase in revenues of \$97,757 despite the loss of (\$41,382) in federal and state grant funding and (\$136,280) in charges for services.
- The expenditures and transfers out of the general fund increased by \$178,697. The majority of the increase was due to an increase in general government activity of \$76,215, and a moderate increase in legislative and judicial expenses by \$9,210 and \$2,252 respectively. Offset by expenditure reductions in public safety, health and welfare and community and economic development.

The debt service funds have a total fund balance of \$256,837 all of which is reserved for the payment of future liabilities of bonds and loans and future compensated absence expenditures.

**Proprietary funds.** The County of Alpena's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Delinquent Tax Revolving fund at the end of the year amounted to \$8,978,346. The change in net assets for the funds was \$97,384. Factors concerning the finances of these funds have already been addressed in the discussion of the County of Alpena's business-type activities.

County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Asset and Debt Administration**

**Capital assets.** The County of Alpena's investment in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$13,924,745 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, building and improvements, machinery and equipment and infrastructure.

**COUNTY OF ALPENA'S, Capital Assets**

	Governmental Activities	
	2007	2006
Historical cost:		
Land	\$ 172,984	\$ 172,984
Land improvements	2,127,711	2,127,711
Buildings and improvements	14,358,371	14,358,371
Office and computer equipment	897,145	781,190
Vehicles	2,854,449	2,431,002
	<u>20,410,660</u>	<u>19,871,258</u>
Accumulated depreciation:		
Land improvements	(673,236)	(588,055)
Buildings and improvements	(4,659,299)	(4,285,211)
Office and computer equipment	(401,256)	(320,358)
Vehicles	(752,124)	(922,931)
	<u>(6,485,915)</u>	<u>(6,116,555)</u>
Net Capital Assets	<u>\$ 13,924,745</u>	<u>\$ 13,754,703</u>

**Long-term debt.** At the end of the current fiscal year, the County of Alpena had total debt outstanding of \$2,682,192. Of this amount \$2,343,536 comprises general obligation bonded debt backed by the full faith and credit of the County. The County also has installment purchase agreement obligations of \$71,679 for the purchase of equipment. The balance of debt represents future compensated absences of \$266,977.

**COUNTY OF ALPENA'S, Outstanding Debt, Bonds and Loans**

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 235,000	\$ 520,000
Building authority bonds and loans	2,108,536	2,451,786
Installment purchase agreements	71,679	153,120
Compensated absences	<u>266,977</u>	<u>249,658</u>
	<u>\$ 2,682,192</u>	<u>\$ 3,374,564</u>

County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Years Budget and Rates**

The following factors were considered in preparing the County's budget for the 2007 fiscal year:

- The continued decline in not only the States but the local economy continues to make it difficult for all local units to provide services to their residents.
- The Big 3 and related companies will never be the same again for Michigan and the region. With corporate investments being spent out of country many jobs will cease to exist. A great many Alpena County property owners are directly or indirectly impacted by the automotive industry.
- The Foreclosure crisis that the state and region is experiencing is significantly decreasing property tax revenues.
- The State of Michigan must create a Mandate Commission to examine mandates that continue to strain county resources.
- Near overcrowding conditions of our jail along with increasing jail expenses give more creditability to explore the regionalization concept. Of which our Sheriff is very instrumental in pursuing.
- Knowing that most of the counties in the state are in similar financial situations, efforts will continue to be made to enter into "joint ventures" with other governmental agencies in purchasing, the pooling of resource and in providing services in an effort to save on cost.
- Management of Northern Lights Arena being examined to ensure the counties obligation to the state and its citizens are met.
- Maintenance cost of aging, inefficient county structures will be increasing. Band aides have been put on many of our structures numerous times. Monies are once again being budgeted to fund future projects.
- The continued support of our collective bargaining units in assisting with our financial hardships is imperative.
- The continued funding of our 911 system is, again, of concern of which our State Legislators only put a one year funding fix to our 911 system. Legislators must take action in the very near future to ensure the safety and well being of our citizens.
- These combined with the State's reluctance to pay their PILT obligations creates some instability within our current budget with nearly 18% of Alpena County land being state owned.

**Requests for Information**

This financial report is designed to provide a general overview of the County of Alpena's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the County Treasurer, Courthouse, 720 W. Chisholm Street, Alpena, MI 49707.

County of Alpena

**STATEMENT OF NET ASSETS**

December 31, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,189,991	\$ 546,415	\$ 1,736,406	\$ 13,723,310
Investments	6,081,670	7,350,578	13,432,248	4,373,928
Receivables				
Taxes	2,299,172	937,854	3,237,026	679,815
Accounts and interest	186,835	32,735	219,570	15,089,277
Mortgage loans	2,296,028	-	2,296,028	-
Due from other governmental units	246,125	-	246,125	1,367,207
Internal balances	(120,000)	120,000	-	-
Inventories	2,827	-	2,827	3,219,860
Prepaid items	-	-	-	4,881,289
Total current assets	12,182,648	8,987,582	21,170,230	43,334,686
Non-current assets				
Capital assets, net	13,924,745	-	13,924,745	66,672,339
Total Non-current assets	13,924,745	-	13,924,745	66,672,339
 Total assets	 26,107,393	 8,987,582	 35,094,975	 110,007,025
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	266,005	9,236	275,241	5,412,114
Accrued payroll and withholding	158,451	-	158,451	3,299,633
Other liabilities and deposits	-	-	-	1,431,238
Accrued interest payable	34,370	-	34,370	92,264
Advances payable	-	-	-	184,904
Unearned revenue	2,299,172	-	2,299,172	2,551,961
Compensated absences	-	-	-	2,929,664
Current portion of bonds and loans	706,616	-	706,616	1,906,658
Total Current liabilities	3,464,614	9,236	3,473,850	17,808,436
Non-current liabilities				
Compensated absences	266,977	-	266,977	677,463
Bonds and loans	1,708,599	-	1,708,599	10,123,254
Total Non-current liabilities	1,975,576	-	1,975,576	10,800,717
 Total liabilities	 5,440,190	 9,236	 5,449,426	 28,609,153
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,509,530	-	11,509,530	54,527,179
Restricted for:				
Mortgage loans receivable	2,296,028	-	2,296,028	-
Capital outlay/maintenance	141,653	-	141,653	95,290
Debt service	256,837	-	256,837	-
Donor restrictions/other	160,928	-	160,928	3,540,152
Unrestricted	6,302,227	8,978,346	15,280,573	23,235,251
 Total net assets	 \$ 20,667,203	 \$ 8,978,346	 \$ 29,645,549	 \$ 81,397,872

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2007

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities				
Legislative	\$ 211,390	\$ 5,415	\$ -	\$ -
Judicial	1,549,784	746,628	464,253	-
General government	3,269,752	1,435,723	749,357	-
Public safety	4,378,434	1,220,540	1,077,963	-
Public works	2,971	-	-	-
Health and welfare	1,927,530	13,376	373,249	-
Community development	271,167	104,877	42,657	-
Recreation and culture	2,325,755	1,261,807	10,551	752,056
Interest on long-term debt	135,592	-	-	-
Total governmental activities	14,072,375	4,788,366	2,718,030	752,056
Business-type activities:				
Delinquent tax payment fund	95,112	422,352	-	-
Total primary government	\$ 14,167,487	\$ 5,210,718	\$ 2,718,030	\$ 752,056
<b>Component Units:</b>				
Alpena General Hospital	\$ 101,555,949	\$ 102,652,589	\$ 624,502	\$ 388,213
Alpena County Road Commission	4,854,964	642,427	5,718,638	-
Alpena County Library	1,196,643	257,908	169,457	-
District Health Department #4	4,979,181	2,193,123	2,699,202	-
Circuit Court	501,417	-	456,078	-
Drain Commission	-	-	-	-
Family Division - Juvenile	453,294	44,758	400,471	-
Friend of the Court	720,998	31,459	666,649	-
Friend of the Court P.A. 215	35,204	9,534	-	-
Total component units	\$ 114,297,650	\$ 105,831,798	\$ 10,734,997	\$ 388,213

General revenues:

Property taxes

Investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (205,975)	\$ -	\$ (205,975)	\$ -
(338,903)	-	(338,903)	-
(1,084,672)	-	(1,084,672)	-
(2,079,931)	-	(2,079,931)	-
(2,971)	-	(2,971)	-
(1,540,905)	-	(1,540,905)	-
(123,633)	-	(123,633)	-
(301,341)	-	(301,341)	-
(135,592)	-	(135,592)	-
(5,813,923)	-	(5,813,923)	-
-	327,240	327,240	-
(5,813,923)	327,240	(5,486,683)	-
-	-	-	2,109,355
-	-	-	1,506,101
-	-	-	(769,278)
-	-	-	(86,856)
-	-	-	(45,339)
-	-	-	-
-	-	-	(8,065)
-	-	-	(22,890)
-	-	-	(25,670)
-	-	-	2,657,358
6,494,261	-	6,494,261	1,508,722
384,800	370,144	754,944	735,679
600,000	(600,000)	-	-
7,479,061	(229,856)	7,249,205	2,244,401
1,665,138	97,384	1,762,522	4,901,759
19,002,065	8,880,962	27,883,027	76,496,113
\$ 20,667,203	\$ 8,978,346	\$ 29,645,549	\$ 81,397,872

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**GOVERNMENTAL FUNDS - BALANCE SHEET**

December 31, 2007

	<u>General Fund</u>	<u>Ambulance</u>	<u>Housing Commission</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 236,313	\$ 83,056	\$ 42,911
Investments	1,984,973	900,605	-
Receivables			
Taxes	-	886,120	-
Accounts and interest	53,018	1,742	-
Mortgage loans	-	-	2,296,028
Due from other governmental units	148,797	-	-
Inventories	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,423,101</u>	<u>\$ 1,871,523</u>	<u>\$ 2,338,939</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 64,071	\$ 7,350	\$ -
Accrued payroll and withholdings	106,450	-	1,157
Advances payable	120,000	-	-
Deferred revenue	-	886,120	2,296,028
	<u>-</u>	<u>886,120</u>	<u>2,296,028</u>
Total liabilities	<u>290,521</u>	<u>893,470</u>	<u>2,297,185</u>
<b>FUND BALANCES</b>			
Reserved	130,452	-	-
Unreserved			
Designated	-	-	-
Undesignated	2,002,128	978,053	41,754
	<u>2,002,128</u>	<u>978,053</u>	<u>41,754</u>
Total fund balances	<u>2,132,580</u>	<u>978,053</u>	<u>41,754</u>
Total liabilities and fund balances	<u>\$ 2,423,101</u>	<u>\$ 1,871,523</u>	<u>\$ 2,338,939</u>

Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ 60,746	\$ 762,839	\$ 1,185,865
1,689,941	1,395,306	5,970,825
-	1,413,052	2,299,172
10,022	121,937	186,719
-	-	2,296,028
-	97,328	246,125
-	2,827	2,827
<u>\$ 1,760,709</u>	<u>\$ 3,793,289</u>	<u>\$ 12,187,561</u>
\$ -	\$ 194,584	\$ 266,005
-	50,844	158,451
-	-	120,000
-	1,423,663	4,605,811
<u>-</u>	<u>1,669,091</u>	<u>5,150,267</u>
-	72,377	202,829
-	356,589	356,589
1,760,709	1,695,232	6,477,876
<u>1,760,709</u>	<u>2,124,198</u>	<u>7,037,294</u>
<u>\$ 1,760,709</u>	<u>\$ 3,793,289</u>	<u>\$ 12,187,561</u>

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**GOVERNMENTAL FUNDS - RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

As of December 31, 2007

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Fund balances - Total governmental funds	\$	7,037,294
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore not reported in the governmental funds.

Governmental capital assets	\$	20,410,660	
Less accumulated depreciation		<u>(6,485,915)</u>	13,924,745

Deferred revenue in the governmental funds is susceptible to full accrual on the Statement of Net Assets.		2,306,639
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Long-term liabilities, including bonds payable are not due and  
payable in the current period and therefore are not reported  
in the governmental funds.

Bonds payable	(2,343,536)	
Installment purchase agreements	(71,679)	
Compensated absences	(266,977)	
Accrued interest payable	<u>(34,370)</u>	(2,716,562)

Internal service funds are used by management to charge the  
costs of certain activities to individual funds. The assets and  
liabilities of internal service funds are included in governmental  
activities in the Statement of Net Assets.

	<u>115,087</u>
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Net Assets of Governmental Activities	\$	<u><u>20,667,203</u></u>
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County of Alpena

**GOVERNMENTAL FUNDS -  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

December 31, 2007

	General Fund	Ambulance	Housing Commission
<b>REVENUES</b>			
Taxes	\$ 4,364,474	\$ 804,578	\$ -
Licenses and permits	16,316	-	-
Federal grants	50,002	-	42,657
State grants	863,744	18,180	-
Other intergovernmental revenue	76,733	-	-
Charges for service	1,172,700	-	128,153
Fines and forfeitures	75,215	-	-
Interest and rents	361,407	57,607	-
Other revenue	462,087	680	282
Total revenues	<u>7,442,678</u>	<u>881,045</u>	<u>171,092</u>
<b>EXPENDITURES</b>			
Current			
Legislative	211,390	-	-
Judicial	1,551,991	-	-
General government	3,151,788	-	-
Public safety	2,126,451	737,973	-
Public works	2,971	-	-
Health and welfare	407,662	-	-
Community and economic development	109,768	-	161,399
Recreation and cultural	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>7,562,021</u>	<u>737,973</u>	<u>161,399</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(119,343)</u>	<u>143,072</u>	<u>9,693</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note proceeds	-	-	-
Transfers in	1,428,582	-	-
Transfers (out)	(879,075)	-	-
	<u>549,507</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	430,164	143,072	9,693
<b>FUND BALANCES, beginning of the year</b>	<u>1,702,416</u>	<u>834,981</u>	<u>32,061</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 2,132,580</u>	<u>\$ 978,053</u>	<u>\$ 41,754</u>

Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,325,209	\$ 6,494,261
-	-	16,316
-	733,431	826,090
-	1,091,382	1,973,306
-	593,957	670,690
-	2,010,214	3,311,067
-	85,124	160,339
88,223	560,809	1,068,046
-	143,067	606,116
88,223	6,543,193	15,126,231
-	-	211,390
-	12,672	1,564,663
-	67,656	3,219,444
-	1,457,490	4,321,914
-	-	2,971
-	1,490,090	1,897,752
-	-	271,167
-	2,567,873	2,567,873
-	709,691	709,691
-	142,844	142,844
-	6,448,316	14,909,709
88,223	94,877	216,522
-	-	-
-	832,788	2,261,370
(682,397)	(146,228)	(1,707,700)
(682,397)	686,560	553,670
(594,174)	781,437	770,192
2,354,883	1,342,761	6,267,102
\$ 1,760,709	\$ 2,124,198	\$ 7,037,294

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**GOVERNMENTAL FUNDS - RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2007

Net change in fund balances - Total governmental funds		\$	770,192
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Expenditures for capital assets	\$	862,102	
Less current year depreciation		<u>(692,060)</u>	170,042
The issuance of long-term debt provides current financial resources to governmental funds, which increases liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets.			
Note proceeds		-	
Bond principal payments		628,250	
Installment agreement payments		<u>81,441</u>	709,691
Some revenues (costs) reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.			
Change in deferred revenue			(23,558)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest payable		7,252	
Change in long-term compensated absences		<u>(17,319)</u>	(10,067)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.			
			<u>48,838</u>
Change in Net Assets of Governmental Activities		\$	<u>1,665,138</u>

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**PROPRIETARY FUNDS - STATEMENT OF NET ASSETS**

December 31, 2007

	Business-type Activities - Delinquent Tax Payment	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 546,415	\$ 4,126
Investments	7,350,578	110,845
Receivables		
Taxes	937,854	-
Accounts and interest	32,735	116
Due from other governmental units	-	-
Advances receivable	120,000	-
Total assets	<u>8,987,582</u>	<u>115,087</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	9,236	-
Other liabilities and deposits	-	-
Total liabilities	<u>9,236</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted	<u>8,978,346</u>	<u>115,087</u>
Total net assets	<u>\$ 8,987,582</u>	<u>\$ 115,087</u>

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**PROPRIETARY FUNDS -  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

Year Ended December 31, 2007

	Business-type Activities - Delinquent Tax Payment	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services	\$ 230,063	\$ 71
Interest on taxes	192,289	-
Total operating revenues	422,352	71
<b>OPERATING EXPENSES</b>		
Contracted services	95,112	2,332
Total operating expenses	95,112	2,332
<b>OPERATING INCOME (LOSS)</b>	327,240	(2,261)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income and rents	370,144	4,769
Total nonoperating revenues (expenses)	370,144	4,769
Net income before transfers	697,384	2,508
<b>TRANSFERS</b>		
Transfers in	-	64,955
Transfers out	(600,000)	(18,625)
	(600,000)	46,330
Change in net assets	97,384	48,838
<b>NET ASSETS</b> - beginning of the year	8,880,962	66,249
<b>NET ASSETS</b> - end of the year	\$ 8,978,346	\$ 115,087

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS**

Year Ended December 31, 2007

	Business-type Activities - Delinquent Tax Payment	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 2,572,675	\$ 71
Cash payments for delinquent taxes	(2,328,166)	-
Payments to suppliers	(85,876)	(10,286)
Net cash provided (used) by operating activities	158,633	(10,215)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances	(120,000)	-
Transfers from other funds	-	64,955
Transfers (to) other funds	(600,000)	(18,625)
	(720,000)	46,330
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	902,343	10,000
Purchase of investments	(1,492,539)	(57,211)
Interest and dividends received	362,613	4,666
Net cash provided (used) by investing activities	(227,583)	(42,545)
Net increase (decrease) in cash and cash equivalents	(788,950)	(6,430)
<b>CASH AND CASH EQUIVALENTS</b> , beginning of the year	1,335,365	10,556
<b>CASH AND CASH EQUIVALENTS</b> , end of the year	\$ 546,415	\$ 4,126
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 327,240	\$ (20,886)
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in receivables	(203,212)	-
(Increase) decrease in due to governmental units	25,369	-
Increase (decrease) in accounts payable	9,236	(7,954)
Net cash provided (used) by operating activities	\$ 158,633	\$ (28,840)

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**FIDUCIARY FUNDS - STATEMENT OF NET ASSETS**

December 31, 2007

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	Agency Funds
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 741,696
Investments	265,797
Accounts and interest	<hr/> 126
Total assets	<hr/> <hr/> \$ 1,007,619
<b>LIABILITIES</b>	
Payroll withholdings and other	\$ 263,758
Other liabilities and deposits	<hr/> 743,861
Total liabilities	<hr/> <hr/> \$ 1,007,619

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**COMPONENT UNIT FUNDS - STATEMENT OF NET ASSETS**

December 31, 2007

	Alpena General Hospital	Alpena County Road Commission	Alpena County Library	District Health Department #4
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 11,503,689	\$ 1,522,535	\$ 48,056	\$ 379,261
Investments	2,461,000	1,000,000	890,076	22,852
Receivables				
Taxes	-	-	679,815	-
Accounts and interest	14,619,504	78,767	242	390,764
Due from other governmental units	-	893,596	-	344,926
Inventories	2,744,654	475,206	-	-
Prepaid and other assets	4,801,758	79,276	-	255
Total current assets	<u>36,130,605</u>	<u>4,049,380</u>	<u>1,618,189</u>	<u>1,138,058</u>
Non-current assets				
Capital assets, net	<u>33,942,569</u>	<u>30,210,267</u>	<u>1,687,959</u>	<u>64,654</u>
Total Non-current assets	<u>33,942,569</u>	<u>30,210,267</u>	<u>1,687,959</u>	<u>64,654</u>
Total assets	<u>\$ 70,073,174</u>	<u>\$ 34,259,647</u>	<u>\$ 3,306,148</u>	<u>\$ 1,202,712</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 5,230,224	\$ 23,317	\$ -	\$ 152,923
Accrued payroll and withholdings	3,124,285	90,859	-	47,828
Other liabilities and deposits	1,211,460	219,778	-	-
Accrued interest payable	92,264	-	-	-
Advances payable	-	183,932	-	972
Unearned revenue	1,481,382	-	679,815	390,764
Current portion of compensated absences	2,929,664	-	-	-
Current portion of long-term debt	1,906,658	-	-	-
Total Current liabilities	<u>15,975,937</u>	<u>517,886</u>	<u>679,815</u>	<u>592,487</u>
Noncurrent liabilities				
Compensated absences	-	66,633	74,649	536,181
Bonds and loans	10,123,254	-	-	-
Total Noncurrent liabilities	<u>10,123,254</u>	<u>66,633</u>	<u>74,649</u>	<u>536,181</u>
Total liabilities	<u>26,099,191</u>	<u>584,519</u>	<u>754,464</u>	<u>1,128,668</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	21,797,409	30,210,267	1,687,959	64,654
Restricted for:				
Capital outlay	-	95,290	-	-
Donor restrictions	3,183,952	-	356,200	-
Unrestricted	18,992,622	3,369,571	507,525	9,390
Total net assets	<u>\$ 43,973,983</u>	<u>\$ 33,675,128</u>	<u>\$ 2,551,684</u>	<u>\$ 74,044</u>

Drain Commission	Circuit Court	Family Division - Juvenile	Friend of the Court	Friend of the Court P.A. 215	Totals
\$ 495	\$ 31,645	\$ 37,562	\$ 79,219	\$ 120,848	\$ 13,723,310
-	-	-	-	-	4,373,928
-	-	-	-	-	679,815
-	-	-	-	-	15,089,277
-	-	32,544	96,141	-	1,367,207
-	-	-	-	-	3,219,860
-	-	-	-	-	4,881,289
495	31,645	70,106	175,360	120,848	43,334,686
-	268,045	230,800	268,045	-	66,672,339
-	268,045	230,800	268,045	-	66,672,339
\$ 495	\$ 299,690	\$ 300,906	\$ 443,405	\$ 120,848	\$ 110,007,025
\$ -	\$ 804	\$ 3,038	\$ 1,808	\$ -	\$ 5,412,114
-	9,324	9,730	17,607	-	3,299,633
-	-	-	-	-	1,431,238
-	-	-	-	-	92,264
-	-	-	-	-	184,904
-	-	-	-	-	2,551,961
-	-	-	-	-	2,929,664
-	-	-	-	-	1,906,658
-	10,128	12,768	19,415	-	17,808,436
-	-	-	-	-	677,463
-	-	-	-	-	10,123,254
-	-	-	-	-	10,800,717
-	10,128	12,768	19,415	-	28,609,153
-	268,045	230,800	268,045	-	54,527,179
-	-	-	-	-	95,290
-	-	-	-	-	3,540,152
495	21,517	57,338	155,945	120,848	23,235,251
\$ 495	\$ 289,562	\$ 288,138	\$ 423,990	\$ 120,848	\$ 81,397,872

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**COMPONENT UNIT FUNDS - STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2007

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b><u>Functions/Programs:</u></b>				
Alpena General Hospital	\$ 101,555,949	\$ 102,652,589	\$ 624,502	\$ 388,213
Alpena County Road Commission	4,854,964	642,427	5,718,638	-
Alpena County Library	1,196,643	257,908	169,457	-
District Health Department #4	4,979,181	2,193,123	2,699,202	-
Drain Commission	-	-	-	-
Circuit Court	501,417	-	456,078	-
Family Division - Juvenile	453,294	44,758	400,471	-
Friend of the Court	720,998	31,459	666,649	-
Friend of the Court P.A. 215	35,204	9,534	-	-
Total component units	<u>\$ 114,297,650</u>	<u>\$ 105,831,798</u>	<u>\$ 10,734,997</u>	<u>\$ 388,213</u>

General revenues:  
 Property taxes  
 Investment earnings  
 Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

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Net (Expense) Revenues and Changes in Net Assets	
<hr/>	
\$	2,109,355
	1,506,101
	(769,278)
	(86,856)
	-
	(45,339)
	(8,065)
	(22,890)
	(25,670)
	<hr/>
	2,657,358
	<hr/>
	1,508,722
	735,679
	<hr/>
	2,244,401
	<hr/>
	4,901,759
	76,496,113
	<hr/>
\$	81,397,872
	<hr/>
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County of Alpena

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The accounting policies of the County of Alpena, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the County:

**A. Reporting Entity.**

**Description of County Operations.** The County of Alpena, Michigan, was organized February 7, 1857 and covers an area of approximately 640 square miles, with the county seat located in the City of Alpena. The County operates under an elected Board of Commissioners (8 members) and provides services to its 31,314 residents (2000 census) in many areas including law enforcement, administration of justice, community enrichment and development and human services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

**Blended component unit.** A blended component unit is a legally separate entity from the County, but is so intertwined with the County that it is, in substance, the same as the County of Alpena. It is reported as a part of the County and blended into the appropriate fund types.

**Building Authority.** The County of Alpena Building Authority is governed by a five member board appointed by the County's governing body. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

**Discretely Presented Component Units.** The component unit's columns in the government-wide financial statements include the financial data of the County's component units. They are reported in a separate column to emphasize that they are either a multi-county agency or operate independently from the County. The governing bodies of these component units are appointed by the County Board of Commissioners.

The following component units are included as a part of the County's annual financial statements since all of these agencies provide services to more than one county, with Alpena County being the largest. As a result the agency is required to deposit all funds with the County Treasurer. The discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

**Alpena General Hospital.** This fund is used to account for a locally owned hospital that serves the residents of Northeast Michigan. The Hospital has a separate board of governors that handle the day to day operations. The County levies property taxes of .9807 mills for capital projects.

**Alpena County Road Commission.** This fund is used to account for the operation of the County Road Commission. The Commission has its own separate elected board that oversees the day to day operations and sets policies and procedures.

**Alpena County Library.** This fund is used to account for the operation of the Library. The Library has a separate board that oversees the day to day operations. The County levies property taxes of .7457 mills for library operations.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**District Health Department #4.** This fund is used to account for health services provided to a four county area. Each county sends representatives to sit on a separate health board that runs the operations of the health department.

**Drain Commission.** This fund is established to account for the activities of the Alpena County Drain Commissioner. The office approves drainage in new developments, subdivision and maintains lake levels.

**Circuit Court.** This fund is established to account for the activities of a two county Circuit Court. Each county contributes an amount based on their relative population to the total population of the district along with sending representatives to sit on Circuit Court board.

**Family Division-Juvenile.** This fund is used to account for the activities of a two county Family Division - Juvenile Office. Each County contributes based on their representative share of the cases handled by the office.

**Friend of the Court.** This fund is established to account for the activities of a two county Friend of the Court office. Each county contributes based on their representative share of the cases handled by the office.

**Friend of the Court P.A. 215.** This fund is used to account for the 215 funds received for the two county areas that the Friend of the Court office serves.

The following component units are included as a part of the County's annual financial statements since all debt and taxes levied must be approved by the County.

Additional financial information of the individual component units can be obtained from their respective administrative offices or can be viewed at the County Treasurer's office at the courthouse.

Administrative Offices

Circuit Court  
Alpena County Courthouse  
Alpena, MI 49707

District Health Department No. 4  
1521 West Chisholm Street  
Alpena, MI 49707

Drain Commission  
Alpena County Courthouse  
Alpena, MI 49707

Family Division – Juvenile  
Alpena County Courthouse  
Alpena, MI 49707

Friend of the Court  
Alpena County Courthouse  
Alpena, MI 49707

Alpena County Library  
211 N. First Street  
Alpena, MI 49707

Alpena County Road Commission  
1400 Bagley  
Alpena, MI 49707

Alpena General Hospital  
Office of the Controller  
1501 W. Chisholm  
Alpena, MI 49707

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**B. Government-Wide and Fund Financial Statements.**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund.** This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Ambulance Fund.** This fund is used to account for property taxes collected for ambulance services.

**Housing Commission.** This fund accounts for the operations of the Alpena County Home Improvement Program. Financing is provided by federal and state grants, interest, and program income.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**Revenue Sharing Reserve.** This fund is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments.

The government reports the following major proprietary funds:

**Delinquent Property Tax Revolving Fund.** This fund is used to account for the payment to each local unit of government within the County of Alpena the delinquent real property taxes outstanding as of March 1, of each year. This fund also is used to account for the collection of those delinquent taxes along with penalties and interest.

**Internal Service Fund.** This fund is used to record the financing of goods and services provided to other funds of the County on a cost reimbursement basis for building and grounds maintenance.

Additionally, the County of Alpena reports the following fund types:

**Special Revenue Funds.** These funds are used to account for specific governmental revenues requiring separate accounting for legal, regulatory or administrative purposes.

**Debt Service Funds.** These funds are used to record the funding and payment of the principal and interest on the long-term debt of the County.

**Capital Projects Funds.** These funds are used to account for the acquisition or construction of major capital facilities.

**Agency Funds.** These funds are used to account for assets held in trust or as an agent for others.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D. Assets, Liabilities, and Net Assets or Equity.**

**Cash and Cash Equivalents.** The County maintains and controls a cash and investment pool in which the primary government and component unit's share. Each fund's or component unit's portion of a pool is displayed on its respective balance sheet as "Cash and cash equivalents". In addition, Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**Investments.** Consist of certificates of deposit, governmental money market funds, and commercial paper with original maturities of greater than 90 days. Investments are stated at fair value which is determined using selective bases.

**Receivables.** Consist of amounts due from property taxes, accounts receivable related to charges for services, interest receivable, and mortgage loans issued by the Home Improvement Program owed to the County at year end.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**Interfund Receivables and Payables.** In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories and Prepaid Items.** Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets.** Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

- Land Improvements 20 to 25 years
- Buildings 30 to 50 years
- Building Improvements 15 to 30 years
- Vehicles 3 to 5 years
- Office and Computer Equipment 3 to 7 years
- Infrastructure - Roads 5 to 30 years
- Infrastructure - Bridges 12 to 50 years
- Infrastructure - Traffic Signals 15 years

**Vacation, Sick Leave and Other Compensated Absences.** After one year of employment, County employees are granted vacation leave in varying amounts based on length of service. Vacation pay is fully vested when earned; upon termination, employees are paid accumulated vacation at their regular pay rates to a limit of 100% of their current annual earned vacation. All full-time and regular part-time employees in accordance with County contracts negotiated with the various employee groups shall be entitled to paid time off (PTO). 176 PTO hours for 40 hour per week full-time employees and 154 PTO hours for 35 hour per week full-time employees and pro-rated for part-time employees is the maximum hours that may be accumulated.

These policies are followed by all funds and departments of the County except the Road Commission, Alpena General Hospital, District Health Department No. 4, and Multi-County Courts, which have established separate policies.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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The Multi-County Circuit Courts have adopted a medical leave policy where employees can accumulate up to 120 days of medical leave. Upon retirement, employees shall be paid for all unused accumulated medical leave. Vacation leave is granted in varying amounts based on length of service and is fully vested when earned. Vacation time does not accumulate to future periods except employees can carry-over a maximum of 10 unused vacation days to the following year.

The District Health Department No. 4 has adopted a medical leave policy where employees can accumulate up to 100 days of medical leave. Upon retirement, employees shall be paid for all unused accumulated medical leave. Vacation leave is granted in varying amounts based on length of service and is fully vested when earned. Vacation time can accumulate up to a maximum of 30 days. Upon termination, the employee shall receive any current unused vacation time.

Additional disclosures for the Road Commission and Alpena General Hospital policies regarding their compensated absences can be found by obtaining a copy of each respective component units/separate audit.

**Long-Term Obligations.** In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity.** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the County. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

**Federal Programs.** Federal grants are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports will be issued under separate cover as supplementary information to the financial statements.

**Reporting Periods.** The reporting period for all funds and account groups of the County is the year ended December 31, 2007, except Alpena General Hospital a component unit activity, where the reporting period is the year ended June 30, 2007.

**Reclassifications.** Certain items reported in the 2006 financial statements have been reclassified to conform with the presentation for the current year.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.**

**Budgetary Information.** Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except the General Fund which prepared its budget using the cash basis of accounting. Annual budgets are prepared and adopted for all required governmental fund types.

**Budgets and Budgetary Accounting.** Prior to adoption of the budgets, County departments prepare and submit their proposed operating budgets commencing the following January 1. A public hearing is conducted to obtain taxpayer comments. Prior to December 31, the budget is adopted by the Board of Commissioners. Budgeted amounts are as originally adopted, or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. Unused appropriations at December 31 are not carried forward to the following year.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the departmental level. The County of Alpena's budgeted expenditures and actual expenditures for major funds budgeted have been shown on a functional basis in the required supplemental information. The General Fund Budgetary Comparison Schedule of Revenues and Expenditures is presented at the departmental level on a cash basis for the benefit of management. Since accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of the differences is shown.

**Excess of Expenditures Over Appropriations in Budgeted Funds.** The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the year, the County of Alpena did not incur expenditures which were in excess of the amounts appropriated.

**Accumulated Fund Deficits.** The County of Alpena at December 31, 2007 did not have any accumulated fund balance/retained earnings deficits in any individual funds.

**NOTE 3-- DEPOSITS AND INVESTMENTS.**

The County utilizes various pooled cash accounts and investments for approximately 47 funds. The County's pooled cash accounts consist of common checking and related sweep accounts.

The County's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Trust and Agency Funds, and the Component Unit funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the applicable balance sheet or statement of net assets.

Component Unit funds of the County utilize separate savings and interest bearing checking accounts and are recorded as imprest cash in the financial records of the County.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

A reconciliation of cash and investments as reflected in the basic financial statements to the County's deposits and investments is as follows:

	Statement of Net Assets			
	Primary Government	Fiduciary Funds	Component Units	Total
Cash and cash equivalents	\$ 1,736,406	\$ 741,696	\$ 13,723,310	\$ 16,201,412
Investments	13,432,248	265,797	4,373,928	18,071,973
	<u>\$ 15,168,654</u>	<u>\$ 1,007,493</u>	<u>\$ 18,097,238</u>	<u>\$ 34,273,385</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
<b>Carrying Amounts</b>				
Cash and cash equivalents				
Bank deposits				
Pooled checking	\$ 1,614,020	\$ 661,252	\$ 687,454	\$ 2,962,726
Checking and savings	106,336	80,444	13,023,395	13,210,175
	1,720,356	741,696	13,710,849	16,172,901
Cash on hand and imprest	16,050	-	12,461	28,511
	<u>1,736,406</u>	<u>741,696</u>	<u>13,723,310</u>	<u>16,201,412</u>
Investments				
Certificates of deposit	10,107,334	249,280	1,556,729	11,913,343
Money market accounts	3,324,914	16,517	817,199	4,158,630
Commercial paper	-	-	2,000,000	2,000,000
	<u>13,432,248</u>	<u>265,797</u>	<u>4,373,928</u>	<u>18,071,973</u>
	<u>\$ 15,168,654</u>	<u>\$ 1,007,493</u>	<u>\$ 18,097,238</u>	<u>\$ 34,273,385</u>

	Fair Value	Investment Maturities (In days)			S & P Rating
		0-90	91-120	121-365	
Certificates of deposit	\$11,913,343	\$ 8,478,636	\$ 2,989,033	\$ 445,674	N/A
Money market accounts	4,158,630	4,158,630	-	-	N/A
Commercial paper	2,000,000	2,000,000	-	-	A1+
	<u>\$18,071,973</u>	<u>\$14,637,266</u>	<u>\$ 2,989,033</u>	<u>\$ 445,674</u>	

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**Statutory Authority.** State statutes authorize the County to invest in:

- a. Bond, securities, other direct obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97. The County's investment policy allows for all of these types of investments.

The County's deposits and investment policy are in accordance with statutory authority.

At December 31, 2007, the Alpena County Library held an investment of \$148,000 in excess funds in a non-endowed money-market fund at the Community Foundation for Northeast Michigan not in accordance with the County's investment policy and statutory authority. The funds of this investment have been subsequently returned to the control of the Alpena County Treasurer and the Alpena County Library is in compliance with investment policy.

**Investment and deposit risk.** The County's cash and investments are subject to several types of risk, which are examined in more detail below.

**Interest Rate Risk.** State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment type are identified above for investments held at year end.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. At December 31, 2007, the carrying amount of the County's bank deposits was \$16,172,901, with a corresponding bank balance of \$16,281,935. Of the County's bank balances, \$13,080,283 was exposed to custodial credit risk because it was uninsured and uncollateralized.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. However, the County's investment policy states the County Treasurer shall diversify his/her investments by institution, in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Of the above certificate of deposit balances of \$11,913,343 the County has a custodial credit risk of \$11,413,343 because it was uninsured. Of the above money market account balances of \$4,158,630 the County has a custodial credit risk exposure of \$1,901,426 because it was uninsured.

**Concentration of Credit Risk.** State law limits allowable investments but does not limit concentration of credit risk as identified above. The County's investment policy states that the County Treasurer shall diversify his/her investments by security type, in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. All investments held at year end are reported above.

**NOTE 4--RECEIVABLES.**

Receivables for the primary government and component units at December 31, 2007 are as follows:

	Governmental Activities	Business-type Activities	Total	Component Units
Taxes Receivable	\$ 2,299,172	\$ 937,854	\$ 3,237,026	\$ 679,815
Receivables (net of allowance for uncollectibles)	164,807	-	164,807	15,088,645
Interest	22,028	32,735	54,763	632
Mortgage loans	2,296,028	-	2,296,028	-
Due from governmental units	246,125	-	246,125	1,367,206
	<u>\$ 5,028,160</u>	<u>\$ 970,589</u>	<u>\$ 5,998,749</u>	<u>\$17,136,298</u>

**NOTE 5--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS.**

Permanent reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. For the purpose of the statement of activities, all inter-fund transfers between individual governmental and internal service funds, enterprise funds, and component units have been eliminated.

The composition of interfund balances at December 31, 2007 is as follows:

	Interfund Receivable	Interfund Payable
Delinquent tax payment General Fund	\$ 120,000	\$ 120,000

Represents cash flow assistance for start-up costs in the establishment of CRTC grant fund.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

Inter-fund transfers for the year ended as of December 31, 2007 are as follows:

	Transfers In	Transfers (Out)
General Fund	\$ 1,428,582	
Child Care – Probate Court		\$ 100,000
Child Care – (DHS)		1,064
CRTC Fund		28,876
Delinquent Tax Payment		600,000
Department of Human Services (DHS)		16,245
Revenue Sharing Reserve		682,397
Airport	126,635	
Budget Stabilization	2,500	
Building/Grounds Maintenance	64,955	
Child Care – DHS	2,000	
Child Care - Probate Court	372,042	
CRTC Fund	120,000	
Department of Human Services (DHS)	24,000	
Equipment and Replacement	137,355	
Law Library	11,449	
Plaza Pool	18,139	
General Fund		879,075
Airport	18,625	
Building/Grounds Maintenance		18,625
Child Care - DHS	43	
Child Care - Probate Court		43
	<u>\$ 2,326,325</u>	<u>\$ 2,326,325</u>

Inter-fund transfers include transfer of unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations; and, transfer of revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. The delinquent tax payment fund and in addition the Revenue Sharing Reserve Fund transferred funds to subsidize the General Fund in compliance with Public Act 357 of 2004. Also, the Child Care funds have returned unexpended appropriations from prior years to the General Fund.

County of Alpena

NOTES TO FINANCIAL STATEMENTS

**NOTE 6--CAPITAL ASSETS.**

**Primary Government**

Capital asset activity of the primary government for the year ended December 31, 2007 is as follows:

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>Governmental activities:</b>				
Capital assets, not depreciated:				
Land	\$ 172,984	\$ -	\$ -	\$ 172,984
	<u>172,984</u>	<u>-</u>	<u>-</u>	<u>172,984</u>
Capital assets, being depreciated:				
Land improvements	2,127,711	-	-	2,127,711
Buildings and improvements	14,358,371	-	-	14,358,371
Office and computer equipment	781,190	115,955	-	897,145
Vehicles	2,431,002	746,147	(322,700)	2,854,449
	<u>9,698,274</u>	<u>862,102</u>	<u>(322,700)</u>	<u>20,237,676</u>
Less accumulated depreciation:				
Land improvements	(588,055)	(85,181)	-	(673,236)
Buildings and improvements	(4,285,211)	(374,088)	-	(4,659,299)
Office and computer equipment	(320,358)	(80,898)	-	(401,256)
Vehicles	(922,931)	(151,893)	322,700	(752,124)
	<u>(6,116,555)</u>	<u>(692,060)</u>	<u>322,700</u>	<u>(6,485,915)</u>
Governmental activities assets	<u>\$13,754,703</u>	<u>\$ 170,042</u>	<u>\$ -</u>	<u>\$13,924,745</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial	\$ 1,144
General government	57,290
Public safety	115,179
Health and welfare	29,778
Recreation and culture	<u>488,669</u>
	<u>\$ 692,060</u>

County of Alpena

NOTES TO FINANCIAL STATEMENTS

**Discretely Presented Component Units**

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>Alpena General Hospital:</b>				
Capital assets, being depreciated:				
Land and improvements	\$ 2,351,930	\$ -	\$ -	\$ 2,351,930
Buildings and improvements	50,508,682	2,244,848	-	52,753,530
Office and computer equipment	30,462,959	2,398,114	(832,703)	32,028,370
Construction in progress	1,710,892	(1,083,721)	-	627,171
	<u>85,034,463</u>	<u>3,559,241</u>	<u>(832,703)</u>	<u>87,761,001</u>
Less accumulated depreciation:				
Land and improvements	(1,177,739)	(86,742)	-	(1,264,481)
Buildings and improvements	(28,429,718)	(1,585,103)	-	(30,014,821)
Office and computer equipment	(19,878,629)	(3,462,587)	802,086	(22,539,130)
	<u>(49,486,086)</u>	<u>(5,134,432)</u>	<u>802,086</u>	<u>(53,818,432)</u>
Net component unit assets	<u>\$ 35,548,377</u>	<u>\$ (1,575,191)</u>	<u>\$ (30,617)</u>	<u>\$ 33,942,569</u>

Depreciation expense was charged to functions/programs of the Alpena General Hospital as follows:

Governmental activities:

Health and human services \$ 5,134,432

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>District Health:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 167,143	\$ -	\$ -	\$ 167,143
Office and computer equipment	263,056	1,298	-	264,354
Vehicles	104,824	-	-	104,824
	<u>535,023</u>	<u>1,298</u>	<u>-</u>	<u>536,321</u>
Less accumulated depreciation:				
Buildings and improvements	(109,585)	(11,172)	-	(120,757)
Office and computer equipment	(241,718)	(4,368)	-	(246,086)
Vehicles	(104,824)	-	-	(104,824)
	<u>(456,127)</u>	<u>(15,540)</u>	<u>-</u>	<u>(471,667)</u>
Net component unit assets	<u>\$ 78,896</u>	<u>\$ (14,242)</u>	<u>\$ -</u>	<u>\$ 64,654</u>

Depreciation expense was charged to functions/programs of the District Health as follows:

Governmental activities:

Health and human services \$ 15,540

County of Alpena

NOTES TO FINANCIAL STATEMENTS

**Discretely Presented Component Units**

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>Alpena County Road Commission:</b>				
Capital assets, not depreciated:				
Land	\$ 20,681	\$ -	\$ -	\$ 20,681
Land improvements	10,484,480	851,450	-	11,335,930
Right of Ways	82,419	121	-	82,540
	<u>10,587,580</u>	<u>851,571</u>	<u>-</u>	<u>11,439,151</u>
Capital assets, being depreciated:				
Buildings and improvements	1,529,379	-	-	1,529,379
Machinery and equipment	4,598,862	220,949	(92,469)	4,727,342
Office and computer equipment	135,731	3,695	-	139,426
Infrastructure – roads	22,089,003	2,189,442	(588,673)	23,689,772
Infrastructure - bridges	4,396,341	-	(407)	4,395,934
Infrastructure - traffic signals	24,831	-	-	24,831
Depletable assets	144,384	-	(14,680)	129,704
	<u>32,918,531</u>	<u>2,414,086</u>	<u>(696,229)</u>	<u>34,636,388</u>
Less accumulated depreciation:				
Buildings and improvements	(686,527)	(30,110)	-	(716,637)
Machinery and equipment	(3,527,787)	(375,006)	92,469	(3,810,324)
Office and computer equipment	(122,970)	(5,480)	-	(128,450)
Infrastructure - roads	(8,821,154)	(1,224,972)	588,673	(9,457,453)
Infrastructure - bridges	(1,510,678)	(89,697)	-	(1,600,375)
Infrastructure - traffic signals	(21,873)	(456)	-	(22,329)
Depletable assets	(144,384)	-	14,680	(129,704)
	<u>(14,835,373)</u>	<u>(1,725,721)</u>	<u>695,822</u>	<u>(15,865,272)</u>
Net component unit assets	<u>\$ 28,670,738</u>	<u>\$ 1,539,936</u>	<u>\$ (407)</u>	<u>\$ 30,210,267</u>

Depreciation expense was charged to functions/programs of the Road Commission as follows:

Governmental activities:

Public works \$ 1,725,721

County of Alpena

NOTES TO FINANCIAL STATEMENTS

**Discretely Presented Component Units**

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>Alpena County Library:</b>				
Capital assets, not depreciated:				
Land	\$ 76,000	\$ -	\$ -	\$ 76,000
	<u>76,000</u>	<u>-</u>	<u>-</u>	<u>76,000</u>
Capital assets, being depreciated:				
Buildings and improvements	2,060,742	22,740	-	2,083,482
Books and audio equipment	955,490	10,190	(3,240)	962,440
	<u>3,016,232</u>	<u>32,930</u>	<u>(3,240)</u>	<u>3,045,922</u>
Less accumulated depreciation:				
Buildings and improvements	(802,792)	(57,673)	-	(860,465)
Books and audio equipment	(377,864)	(198,334)	2,700	(573,498)
	<u>(1,180,656)</u>	<u>(256,007)</u>	<u>2,700</u>	<u>(1,433,963)</u>
Net component unit assets	<u>\$ 1,911,576</u>	<u>\$ (223,077)</u>	<u>\$ (540)</u>	<u>\$ 1,687,959</u>

Depreciation expense was charged to functions/programs of the Alpena County Library as follows:

Governmental activities:	
Recreation and culture	<u>\$ 256,007</u>

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>Circuit Court:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 687,869	\$ -	\$ -	\$ 687,869
	<u>687,869</u>	<u>-</u>	<u>-</u>	<u>687,869</u>
Less accumulated depreciation:				
Buildings and improvements	(404,267)	(15,557)	-	(419,824)
	<u>(404,267)</u>	<u>(15,557)</u>	<u>-</u>	<u>(419,824)</u>
Net component unit assets	<u>\$ 283,602</u>	<u>\$ (15,557)</u>	<u>\$ -</u>	<u>\$ 268,045</u>

Depreciation expense was charged to functions/programs of the Circuit Court as follows:

Governmental activities:	
Judicial	<u>\$ 15,557</u>

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Discretely Presented Component Units**

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>Family Division - Juvenile:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 260,000	\$ -	\$ -	\$ 260,000
Office and computer equipment	20,000	-	-	20,000
	<u>280,000</u>	<u>-</u>	<u>-</u>	<u>280,000</u>
Less accumulated depreciation:				
Buildings and improvements	(26,000)	(5,200)	-	(31,200)
Office and computer equipment	(17,000)	(1,000)	-	(18,000)
	<u>(43,000)</u>	<u>(6,200)</u>	<u>-</u>	<u>(49,200)</u>
Net component unit assets	<u>\$ 237,000</u>	<u>\$ (6,200)</u>	<u>\$ -</u>	<u>\$ 230,800</u>

Depreciation expense was charged to functions/programs of the Family Division - Juvenile as follows:

Governmental activities:

Judicial \$ 6,200

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07
<b>Friend of the Court:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 687,869	\$ -	\$ -	\$ 687,869
	<u>687,869</u>	<u>-</u>	<u>-</u>	<u>687,869</u>
Less accumulated depreciation:				
Buildings and improvements	(404,267)	(15,557)	-	(419,824)
	<u>(404,267)</u>	<u>(15,557)</u>	<u>-</u>	<u>(419,824)</u>
Net component unit assets	<u>\$ 283,602</u>	<u>\$ (15,557)</u>	<u>\$ -</u>	<u>\$ 268,045</u>

Depreciation expense was charged to functions/programs of the Friend of the Court as follows:

Governmental activities:

Judicial \$ 15,557

County of Alpena

NOTES TO FINANCIAL STATEMENTS

**NOTE 7-- LONG-TERM DEBT.**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Balances, Jan 01, 07	Additions	Deductions	Balances, Dec 31, 07	Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
1994 Alpena County sanitary sewage unlimited tax refunding bonds (contractual obligation): Amount of issue - \$2,705,000 Maturing through 2008 Interest rate range 5.0% Principal maturity range \$175,000-					
\$195,000	\$ 385,000	\$ -	\$ (195,000)	\$ 190,000	\$ 190,000
1989 Alpena County General Obligation Refunding Bonds Amount of issue - \$3,005,000 Maturing through 2007 Interest rate ranges 7.45%-7.50% Principal maturity range \$65,000-					
\$75,000	65,000	-	(65,000)	-	-
Alpena County Water Supply System #5 Bonds Amount of issue - \$870,000 Maturing through 2009 Interest rate range 7.50% Principal maturity range \$20,000-					
\$50,000	70,000	-	(25,000)	45,000	25,000
Alpena County Building Authority Bonds, Series 1998 Amount of issue - \$1,360,000 Maturing through 2012 Interest rate ranges 4.75%-4.95% Principal maturity range \$105,000-					
\$140,000	740,000	-	(105,000)	635,000	115,000
Alpena County Building Authority Bonds, Series 1999 Amount of issue - \$840,000 Maturing through 2015 Interest rate ranges 4.70%-5.60% Principal maturity range \$40,000-					
\$80,000	455,000	-	(70,000)	385,000	80,000

County of Alpena

NOTES TO FINANCIAL STATEMENTS

	Balances, Jan 01, 07	Additions	Deductions	Balances, Dec 31, 07	Due Within One Year
Alpena County Building Authority Bonds, Series 2001 Amount of issue - \$995,000 Maturing through 2016 Interest rate ranges 4.00%-5.00% Principal maturity range \$55,000- \$90,000	\$ 735,000	\$ -	\$ (60,000)	\$ 675,000	\$ 60,000
Alpena County Building Authority Bonds, Series 2002 Amount of issue - \$960,000 Maturing through 2011 Interest rate ranges 3.60%-4.50% Principal maturity range \$60,000- \$110,000	375,000	-	(95,000)	280,000	90,000
Alpena County Building Authority Commercial bank loan Amount of issue - \$135,000 Maturing through 2010 Interest rate range 4.40% Principal maturity range \$5,600- \$17,800	56,967	-	(7,300)	49,667	11,612
Alpena County Building Authority Intergovernmental Loans Amount of issue - \$112,500 Interest rate range 0.00%	89,819	-	(5,950)	83,869	83,869
Installment Purchase Agreements					
Ford Motor Credit	58,207	-	(18,283)	39,924	19,380
Team Software Group, Inc.	19,314	-	(15,452)	3,862	3,862
Verizon Credit, Inc.	30,866	-	(19,154)	11,712	11,712
Verizon Credit, Inc.	7,015	-	(3,731)	3,284	3,284
Verizon Credit, Inc.	37,718	-	(24,821)	12,897	12,897
	3,124,906	-	(709,691)	2,415,215	706,616
Compensated absences	249,658	25,448	(8,129)	266,977	-
Total primary government	\$ 3,374,564	\$ 25,448	\$ (717,820)	\$ 2,682,192	\$ 706,616

County of Alpena

NOTES TO FINANCIAL STATEMENTS

	Balances, Jan 01, 07	Additions	Deductions	Balances, Dec 31, 07	Due Within One Year
<b>COMPONENT UNITS</b>					
Alpena General Hospital G.O. Improvement Bonds - 1999 Amount of issue - \$7,525,000 Maturing through 2020 Interest rate ranges 4.85%-4.88% Principal maturity range \$225,000 \$550,000	\$ 6,000,000	\$ -	\$ (300,000)	\$ 5,700,000	\$ 325,000
Alpena General Hospital G.O. Improvement Bonds - 2000 Maturing through 2020 Interest rate ranges 5.00-5.35% Principal maturity range \$300,000 \$550,000	4,725,000	-	(225,000)	4,500,000	250,000
Alpena General Hospital G.O. Improvement Bonds - 2003 Maturing through 2008 Interest rate range 3.53% Principal maturity range \$785,000 \$840,000	1,650,000	-	(810,000)	840,000	840,000
Alpena General Hospital Equipment notes payable Interest rate ranges 3.77%-4.27%	1,517,306	-	(527,394)	989,912	491,658
	<u>13,892,306</u>	<u>-</u>	<u>(1,862,394)</u>	<u>12,029,912</u>	<u>1,906,658</u>
Compensated absences					
Alpena General Hospital	2,718,650	2,929,664	(2,718,650)	2,929,664	2,929,664
Alpena County Road Commission	74,326	-	(7,693)	66,633	-
District Health Department #4	532,518	3,663	-	536,181	-
Alpena County Library	70,695	3,954	-	74,649	-
	<u>3,396,189</u>	<u>2,937,281</u>	<u>(2,726,343)</u>	<u>3,607,127</u>	<u>2,929,664</u>
	<u>\$17,288,495</u>	<u>\$ 2,937,281</u>	<u>\$(4,588,737)</u>	<u>\$15,637,039</u>	<u>\$ 4,836,322</u>

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

Annual requirements to pay bond and loan debt principal and interest outstanding are as follows:

Year Ending	Primary Government		Component Units	
	Principal	Interest	Principal	Interest
2008	\$ 706,616	\$ 105,667	\$ 1,906,658	\$ 557,519
2009	347,679	77,189	1,045,319	478,998
2010	312,677	60,718	677,935	438,329
2011	313,242	46,068	675,000	405,865
2012	255,000	30,750	700,000	371,959
2013-2017	480,000	44,830	4,000,000	1,293,313
2018-2022	-	2,250	3,025,000	240,422
	<u>\$ 2,415,214</u>	<u>\$ 367,472</u>	<u>\$ 12,029,912</u>	<u>\$ 3,786,405</u>

The Water and Sewage Bonds are contractual obligations with Alpena Township. These bonds are secured by special assessments levied against benefiting real property within these districts.

On January 1, 1994, the County of Alpena, on behalf of the City, issued \$2,705,000 in General Obligation Bonds with an average interest rate of 4.55 percent to advance refund \$2,475,000 of outstanding 1978 Series Bonds with an average interest rate of 6.55 percent. The net proceeds of \$2,608,436 (after payment of \$86,533 in underwriting fees, insurance, and other costs, plus \$10,031 in bond discounts) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1978 Series bonds. As a result, the 1978 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The City advance refunded the 1978 Series bonds to reduce its total debt service payments over the next 15 years by \$173,068 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$130,185.

On March 1, 1998 the County of Alpena on behalf of the Alpena County Building Authority, issued \$1,360,000 in refunding bonds for the purpose of advance refunding the \$1,260,000 outstanding principal of the 1991 Building Authority Bonds, dated January 1, 1992. The proceeds of the 1998 issue are to be used to purchase obligations of the United States of America; the proceeds of such Government Obligations, together with the earnings will be used to pay principal and interest on the Refunded Bonds. The 1998 Refunding Bonds are not subject to redemption prior to maturity in 2006. As a result of the Bond Refunding the County experienced a net reduction in debt service payments of \$48,770.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8--LEASES.**

The County is party to numerous operating leases. Minimum future rental payments under existing leases are not significant.

**NOTE 9--RESTRICTED NET ASSETS.**

Restrictions of net assets reflected in the Government-wide financial statements indicate that restrictions imposed by the board of commissioners, the funding source or outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2007:

**Primary Government**

Governmental Activities:

General Fund

Reserved for replace/acquire building and land	\$	20,000
Reserved for roof replacement		20,000
Reserved for D.H.S. loan reserve		44,000
Reserved for technology equipment		1,375
Reserved for pending obligations		42,957
Reserved for economic development		2,120

Housing Fund

Reserved for mortgage loans receivable	2,296,028
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Enhanced 911 Fund

Reserved for MCOLES training	11,872
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Northern Lights Arena

Reserved for outside users	6,460
Reserved for spectator surcharges	42,617
Reserved for capital control	526

Plaza Pool

Reserved for ready set swim	10,902
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Airport Fund

Designated for maintenance	6,315
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Older Persons Act Fund

Designated for capital outlay/equipment/buildings	24,937
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Parks

Designated for capital outlay/equipment/buildings	68,500
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Building Authority Debt

Designated for debt service	256,837
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**Component Units**

Alpena General Hospital

Reserved for donor restrictions	3,183,952
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Alpena County Road Commission

Reserved for primary Road expenditures	95,290
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Alpena County Library

Reserved for donor restrictions	356,200
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County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10--PROPERTY TAXES AND TAXES RECEIVABLE.**

The County property tax is levied each July 1 and Dec 1 through 2007 on the taxable valuation of property located in the County as of the preceding December 31. On July or December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next September or February, respectively.

Although the County's 2006 ad valorem tax is levied and collectible by December 1, 2006, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

Taxable values are established annually by the local municipalities and are equalized by the County based on State statutes at an estimated percentage of the current market value. Beginning with the 1995 tax year, State Proposal "A" changed the way property taxes were computed. Under Proposal "A", the County Assessor determines the assessed value of a property, which is 50% of the current market value. However, the taxable value of a property cannot increase more than 5% or the rate of inflation annually, whichever is less. Therefore, over time, the taxable value will normally be less than the assessed value. However, when a property is sold, the accumulated effect of the above capping is erased and the assessed value constitutes the basis (taxable value) for the next property tax cycle.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. The County of Alpena had a reserve of \$1,760,709 at December 31, 2007. As part of this process, the County's tax levy will be shifting over the next three years from winter to summer.

Real and personal property in Alpena County for the 2007 levy had a taxable value of \$900,659,792 on which ad valorem taxes levied for County general operating purposes was 4.8004 mills (limited to 15 mills) with an additional 1.0000, .7457, .9720, and .5500 mills voted for the Hospital, Library, Ambulance, and Older Persons Act. These amounts are recognized in the respective General, Special Revenue, Debt Service, and component unit financial statements as taxes receivable, with an offsetting credit to unearned revenue.

By agreement with various taxing authorities, the County purchases at face value the real property taxes receivable returned delinquent each March 1. These receivables, together with interest and administration fees collected, are paid to the County's Delinquent Tax Revolving Fund, which advanced the money used to liquidate amounts due the General Fund, various other funds, other governmental units, and to provide funds for current operations. Taxes receivable of \$2,621,662 at March 1, 2008 and \$2,328,166 at March 1, 2007, were purchased by the County using the cash reserves of its Delinquent Tax Revolving Fund.

**NOTE 11--DEFERRED COMPENSATION PLAN.**

Alpena County offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Alpena County) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement No. 32, plan balances and activities are not reflected in the Alpena County financial statements.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12--EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS.**

**Description of Retirement Plan and Plan Assets**

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.00 to 2.50 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payrolls at December 31, 2006 is as follows:

Local Union 212	14.85%
Sheriff	12.25%
911 employees	11.14%
Northland library	4.68%
Alpena County library	12.08%

**Annual Pension Cost**

During the fiscal year ended December 31, 2007, the County's contributions totaling \$425,593 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5% percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

**Three Year Trend Information for GASB Statement No. 27**

<u>Year Ended</u> <u>December 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2004	\$ 397,282	100%	\$ 0
2005	384,328	100%	0
2006	425,593	100%	0

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Required Supplementary Information for  
GASB Statement No. 27**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/04	\$ 9,311,382	\$12,313,305	\$ 3,001,923	75.6%	\$ 3,296,589	93.0%
12/31/05	9,805,906	13,232,740	3,426,834	74.1%	3,362,727	103.0%
12/31/06	10,513,003	13,864,031	3,351,028	75.8%	3,222,858	101.0%

**Component Unit Retirement Disclosures**

The Alpena General Hospital, Alpena County Road Commission and the District Health Department No. 4 participate in the Michigan Municipal Employees Retirement System, a multiple employer defined benefit pension plan, administered by the State of Michigan. The following table presents the relevant information for each plan:

	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>
Alpena General Hospital	\$ 115,059,038	\$ 100,795,387
Alpena County Road Commission	8,856,784	8,008,528
District Health Department No. 4	11,669,036	9,823,618

**Postretirement Benefits.** The County of Alpena offers no postemployment benefits to its retirees. However, retirees can continue coverage with the County's health care insurance at their own expense.

**NOTE 13--CONTINGENCIES, CLAIMS, AND LITIGATION.**

There are various legal actions pending against the County. Due to the inconclusive nature of these actions, it is not possible for the County to either determine the probable outcome of these actions nor provide a reasonable estimate of the County's potential liability, if any. The County believes that it has sufficient insurance coverage to provide for possible losses resulting from the unfavorable outcome of any litigation.

**NOTE 14--RISK MANAGEMENT.**

The County is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The County has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific County facilities or events.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year. The County pays unemployment claims on a reimbursement basis.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 15--JOINT VENTURES.**

In February 1998, the County of Alpena joined Montmorency County and Oscoda County in creating the *Montmorency-Oscoda-Alpena Solid Waste Management Authority* in accordance of Act No. 223 of the Public Acts of 1955 of the State of Michigan.

This authority manages a landfill located in Montmorency County and is governed by a six person board, with two representatives for each county.

Annually each County has been asked to use their annual financial statements to assure the unfunded portion of the Closure and Post Closure cost. That Closure cost balance on December 31, 2006 is \$3,883,614 with certificates of deposit and other investments amounting to \$2,041,946 of that balance.

The County has no significant influence over the management of the authority and that is why they are not included in the County's Annual financial report.

The Montmorency-Oscoda-Alpena Solid Waste Management Authority maintains the financial records at the Montmorency County Court House, Atlanta, MI 48709 and the office number is (989) 785-8003.

In January 2000, the County joined Montmorency County in forming the *Northeast Michigan Recycling Alliance Authority*, under Act No. 223 of the Public Acts of 1955 of the State of Michigan.

The authority manages a transfer station and recycling facility on West M-32 in Wilson Township in Alpena County. It is governed by a six person board, with three representatives from each County.

The County has no significant influence over the management of the authority and that is why they are not included in the County's Annual financial report.

The Northeast Michigan Recycling Alliance Authority maintains the financial records at the Montmorency County Court House, Atlanta, MI 48709 and the office number is (989) 785-8003. Its financial office is located at the Alpena Soil Conservation District Office located at 1900 W. M-32, Alpena, Michigan and the office number if (989) 356-6038.

County of Alpena

**MAJOR FUNDS**

**BUDGETARY COMPARISON SCHEDULE**

Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>General Fund</b>				
Budgetary fund balance, January 1, 2007	\$ 1,702,392	\$ 1,702,392	\$ 1,702,392	\$ -
Resources (inflows):				
Taxes	4,205,062	4,351,294	4,364,575	13,281
Licenses and permits	16,250	15,200	14,693	(507)
Federal grants	66,215	66,215	43,566	(22,649)
State grants	869,711	887,507	867,078	(20,429)
Local grants	99,281	100,081	85,733	(14,348)
Charges for service	1,023,200	1,189,375	1,188,548	(827)
Fines and forfeitures	91,150	75,150	75,215	65
Interest and rents	352,617	360,117	360,190	73
Other revenue	326,558	405,378	402,702	(2,676)
Transfers from other funds	1,494,765	1,428,582	1,428,582	-
Amounts available for appropriation	<u>10,247,201</u>	<u>10,581,291</u>	<u>10,533,274</u>	<u>(48,017)</u>
<b>EXPENDITURES</b>				
Legislative	204,855	214,383	210,806	3,577
Judicial	1,544,595	1,559,728	1,551,355	8,373
General government	3,175,146	3,249,002	3,152,522	96,480
Public safety	2,183,909	2,184,736	2,135,915	48,821
Public works	5,671	5,683	2,971	2,712
Health and welfare	430,253	410,911	403,857	7,054
Community and economic development	115,362	111,455	109,767	1,688
Contingency	125,943	-	-	-
Transfers to other funds	759,075	879,075	879,075	-
Total charges to appropriations	<u>8,544,809</u>	<u>8,614,973</u>	<u>8,446,268</u>	<u>168,705</u>
Budgetary fund balance, December 31, 2007	<u>\$ 1,702,392</u>	<u>\$ 1,966,318</u>	<u>\$ 2,087,006</u>	<u>\$ 120,688</u>

County of Alpena

**MAJOR FUNDS**

**BUDGETARY COMPARISON SCHEDULE**

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Favorable (Unfavorable)
<b>Ambulance Fund</b>				
Budgetary fund balance, January 1, 2007	\$ 834,981	\$ 834,981	\$ 834,981	\$ -
Resources (inflows):				
Property taxes	816,618	804,415	804,578	163
State grants	18,180	18,180	18,180	-
Interest and rents	30,000	54,500	56,113	1,613
Other	100	730	680	(50)
Amounts available for appropriation	1,699,879	1,712,806	1,714,532	1,726
<b>EXPENDITURES</b>				
Public safety	930,473	944,096	755,262	188,834
Total charges to appropriations	930,473	944,096	755,262	188,834
Budgetary fund balance, December 31, 2007	\$ 769,406	\$ 768,710	\$ 959,270	\$ 190,560
<b>Housing Commission Fund</b>				
Budgetary fund balance, January 1, 2007	\$ 32,061	\$ 32,061	\$ 32,061	\$ -
Resources (inflows):				
Federal grants	100,000	53,445	47,657	(5,788)
Charges for service	122,393	135,000	128,153	(6,847)
Interest and rents	-	-	-	-
Other	-	5,300	282	(5,018)
Amounts available for appropriation	254,454	225,806	208,153	(17,653)
<b>EXPENDITURES</b>				
Health and welfare	222,393	223,075	176,405	46,670
Total charges to appropriations	222,393	223,075	176,405	46,670
Budgetary fund balance, December 31, 2007	\$ 32,061	\$ 2,731	\$ 31,748	\$ 29,017

County of Alpena

**MAJOR FUNDS**

**BUDGETARY COMPARISON SCHEDULE**

Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Revenue Sharing Reserve Fund</b>				
Budgetary fund balance, January 1, 2007	\$ 2,354,883	\$ 2,354,883	\$ 2,354,883	\$ -
Property taxes	1,273,381	-	-	-
Interest and rents	10,000	84,000	81,016	(2,984)
Amounts available for appropriation	3,638,264	2,438,883	2,435,899	(2,984)
<b>EXPENDITURES</b>				
Transfers to other funds	679,765	682,397	682,397	-
Total charges to appropriations	679,765	682,397	682,397	-
Budgetary fund balance, December 31, 2007	<u>\$ 2,958,499</u>	<u>\$ 1,756,486</u>	<u>\$ 1,753,502</u>	<u>\$ (2,984)</u>

County of Alpena

General Fund

**COMPARATIVE BALANCE SHEET**

	December 31	
	2007	2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 236,313	\$ 348,669
Investments	1,984,973	1,366,044
Receivables		
Taxes	-	130,899
Interest and accounts	53,018	23,506
Due from other governmental units	148,797	139,878
Total assets	<u>\$ 2,423,101</u>	<u>\$ 2,008,996</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable	\$ 64,071	\$ 81,594
Accrued payroll and withholdings	106,450	94,087
Advances from other funds	120,000	-
Unearned revenue	-	130,899
Total liabilities	<u>290,521</u>	<u>306,580</u>
Fund Balances		
Reserved	130,452	138,332
Unreserved		
Designated	-	-
Undesignated	2,002,128	1,564,084
Total fund balance	<u>2,132,580</u>	<u>1,702,416</u>
Total liabilities and fund balance	<u>\$ 2,423,101</u>	<u>\$ 2,008,996</u>

County of Alpena

General Fund

**BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENDITURES**

	Year Ended December 31, 2007			
	Budgeted Amounts		Actual	2006
	Original	Amended	Amounts	Actual
<b>REVENUES</b>				
<b>TAXES</b>				
Property Taxes	\$ 4,152,062	\$ 4,285,294	\$ 4,298,842	\$ 4,039,787
Others	53,000	66,000	65,733	52,884
	<u>4,205,062</u>	<u>4,351,294</u>	<u>4,364,575</u>	<u>4,092,671</u>
<b>LICENSES AND PERMITS</b>				
Licenses and Permits	16,250	15,200	14,693	15,732
	<u>16,250</u>	<u>15,200</u>	<u>14,693</u>	<u>15,732</u>
<b>FEDERAL GRANTS</b>				
IV-D Cooperative Reimbursement	51,715	51,715	39,333	53,109
Emergency Management	8,500	8,500	4,233	8,579
Community Emergency Response	6,000	6,000	-	239
Homeland Security	-	-	-	40,764
	<u>66,215</u>	<u>66,215</u>	<u>43,566</u>	<u>102,691</u>
<b>STATE GRANTS</b>				
Judicial Payments-Circuit Court	32,000	32,000	32,007	32,007
Judicial Payments-District Court	51,280	54,680	54,683	51,280
Judicial Payments-Probate Court	147,802	147,802	147,953	171,351
State Court Equity Fund	205,000	191,000	191,051	197,748
Liquor and Convention Facilities Tax	157,352	153,564	153,413	145,924
Cigarette Tax	17,491	15,112	15,112	18,494
Prosecuting Attorney	12,000	12,357	12,220	8,931
State Survey and Remonumentation	68,519	68,519	61,989	100,681
Sheriff's Department/Jail	29,000	53,497	53,567	16,680
Secondary Road Patrol	79,764	79,764	79,711	76,874
D.N.R. Safety	12,174	12,174	2,190	17,240
Victims Rights	52,529	59,498	59,358	54,531
Drug Case Management	200	2,940	2,979	199
AG Clean Sweep	4,600	4,600	845	273
	<u>869,711</u>	<u>887,507</u>	<u>867,078</u>	<u>892,213</u>
<b>LOCAL GRANTS</b>				
H.U.N.T.	34,443	35,243	35,313	36,865
D.A.R.E.	11,000	11,000	11,000	8,250
School Liason Program	53,838	53,838	39,420	43,750
	<u>99,281</u>	<u>100,081</u>	<u>85,733</u>	<u>88,865</u>

(continued)

## County of Alpena

## General Fund

**BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENDITURES - Continued**

	Year Ended December 31, 2007			
	Budgeted Amounts		Actual	2006
	Original	Amended	Amounts	Actual
<b>REVENUES (Continued)</b>				
<b>CHARGES FOR SERVICES</b>				
Circuit Court	\$ -	\$ 54,857	\$ 54,627	\$ 9,783
District Court	369,000	359,700	359,811	380,744
Friend of the Court	-	77,800	77,817	76,191
Public Conservator	35,000	28,500	28,493	31,492
Probate Court	17,500	17,500	16,632	20,280
Family Division - Juvenile	-	42,034	42,034	33,895
Clerk	138,000	173,125	172,797	162,454
Prosecuting Attorney	600	1,867	1,867	400
Register of Deeds	185,000	179,200	179,315	191,615
Property Transfer Fees	82,000	77,000	76,983	77,479
Sheriff's Department/Jail	174,400	161,692	162,160	192,968
Ordinance Enforcement Officer	6,700	2,600	2,560	8,112
Treasurer	9,000	5,600	5,539	8,695
Medical Examiner	6,000	7,900	7,913	7,021
Older Persons	-	-	-	8,578
	<u>1,023,200</u>	<u>1,189,375</u>	<u>1,188,548</u>	<u>1,209,707</u>
<b>FINES AND FORFEITURES</b>				
Fines and forfeitures	91,150	75,150	75,215	87,688
	<u>91,150</u>	<u>75,150</u>	<u>75,215</u>	<u>87,688</u>
<b>INTEREST AND RENTS</b>				
Interest Earned	140,000	147,500	147,572	149,806
Rents	212,617	212,617	212,618	212,618
	<u>352,617</u>	<u>360,117</u>	<u>360,190</u>	<u>362,424</u>
<b>OTHER REVENUE</b>				
Central Service Reimbursements	120,484	164,022	164,268	139,187
Reimbursements and Refunds	202,239	215,709	213,774	235,070
Miscellaneous Revenue	3,835	25,647	24,660	7,426
	<u>326,558</u>	<u>405,378</u>	<u>402,702</u>	<u>381,683</u>
<b>TOTAL REVENUES</b>	<u>7,050,044</u>	<u>7,450,317</u>	<u>7,402,300</u>	<u>7,233,674</u>
<b>TRANSFERS IN</b>				
Delinquent Tax Payment	600,000	600,000	600,000	600,000
Revenue Sharing Reserve	679,765	682,397	682,397	658,049
CRTC Fund	-	28,876	28,876	-
Department of Human Services	-	16,245	16,245	9,163
Child Care - Probate Court	215,000	100,000	100,000	277,000
Child Care - DHS	-	1,064	1,064	756
	<u>1,494,765</u>	<u>1,428,582</u>	<u>1,428,582</u>	<u>1,544,968</u>
Total revenues and transfers in	8,544,809	8,878,899	8,830,882	8,778,642

County of Alpena

General Fund

**BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENDITURES**

	Year Ended December 31, 2007			
	Budgeted Amounts		Actual	2006
	Original	Amended	Amounts	Actual
<b>EXPENDITURES</b>				
<b>LEGISLATIVE</b>				
Board of Commissioners	\$ 204,855	\$ 214,383	\$ 210,806	\$ 201,171
	204,855	214,383	210,806	201,171
<b>JUDICIAL</b>				
Circuit Court	319,255	319,255	319,255	318,155
District Court	495,539	509,245	505,379	497,340
Multi County Probation	1,050	1,050	837	752
Friend of the Court	79,097	79,097	79,097	76,986
Public Conservator	37,381	39,423	38,271	29,803
Public Advocate	269,280	269,280	269,280	264,000
Probate Court	257,990	262,987	259,845	258,546
Family Division - Juvenile	85,003	79,391	79,391	102,605
	1,544,595	1,559,728	1,551,355	1,548,187
<b>GENERAL GOVERNMENT</b>				
Coordinator	89,303	95,670	95,166	88,482
Elections	28,406	17,166	16,681	24,931
Board of Canvassers	567	567	5	510
County General	132,625	149,095	148,024	119,743
Clerk	231,860	239,900	232,441	226,901
Equalization	236,833	248,392	240,841	229,187
Data Processing	332,933	327,491	323,251	307,179
Prosecuting Attorney	377,526	393,630	388,151	377,997
IV-D Cooperative Reimbursement	78,713	84,119	46,963	65,038
Register of Deeds	201,326	218,538	215,949	202,107
State Survey and Remonumentation	68,519	68,519	68,355	57,637
Treasurer	206,817	219,640	213,725	212,995
MSU Cooperative Extension	80,295	81,445	76,426	73,161
Building Authority	264,625	264,785	264,721	248,594
Building and Grounds	749,177	743,657	734,228	736,623
DHS State Lease	79,363	76,540	69,243	70,468
Drain Commissioner	13,758	17,348	15,852	12,892
Employees Sick Pay	2,500	2,500	2,500	-
	3,175,146	3,249,002	3,152,522	3,054,445
<b>PUBLIC WORKS</b>				
Department of Public Works	1,071	1,083	878	796
MI Department AG-Clean Sweep	4,600	4,600	2,093	1,117
	5,671	5,683	2,971	1,913

(continued)

County of Alpena

General Fund

**BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENDITURES - Continued**

	Year Ended December 31, 2007			
	Budgeted Amounts		Actual	2006
	Original	Amended	Amounts	Actual
EXPENDITURES (Continued)				
PUBLIC SAFETY				
Sheriff Department / Jail	\$ 1,847,627	\$ 1,823,298	\$ 1,808,992	\$ 1,838,467
H.U.N.T. Program	34,443	35,543	35,439	34,419
Secondary Road Patrol Program	80,625	90,041	78,649	69,546
D.A.R.E. Program	10,989	11,639	11,006	10,386
D.N.R. Safety Program	14,273	14,273	3,014	4,160
School Liaison Program	53,838	56,018	54,642	52,457
Victims Rights Services	52,529	60,062	59,723	56,724
Office of Emergency Preparation	30,477	30,031	28,319	20,929
Livestock Damage	100	100	-	-
Ordinance Enforcement Officer	53,008	57,731	56,131	51,868
Community Emergency Response	6,000	6,000	-	623
Homeland Security Equipment Grant	-	-	-	32,364
	<u>2,183,909</u>	<u>2,184,736</u>	<u>2,135,915</u>	<u>2,171,943</u>
HEALTH AND WELFARE				
Communicable Disease	850	850	-	94
Medical Examiner	43,200	43,374	40,759	42,606
State Institutions	65,000	44,100	44,053	23,325
District Health	176,931	176,931	176,931	209,600
Northeast Michigan Mental Health	94,737	94,737	94,737	94,737
Veterans Burials	9,000	9,000	7,165	7,285
Veterans Counselor	40,535	41,919	40,212	39,055
	<u>430,253</u>	<u>410,911</u>	<u>403,857</u>	<u>416,702</u>
COMMUNITY AND ECONOMIC DEVELOPMENT				
Planning Commission	1,697	1,677	888	1,330
Associations / Community Groups	113,665	109,778	108,879	101,402
	<u>115,362</u>	<u>111,455</u>	<u>109,767</u>	<u>102,732</u>
OTHER				
Contingency Fund	125,943	-	-	-
	<u>125,943</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	7,785,734	7,735,898	7,567,193	7,497,093

County of Alpena

General Fund

**BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENDITURES**

	Year Ended December 31, 2007			
	Budgeted Amounts		Actual	2006
	Original	Amended	Amounts	Actual
TRANSFERS OUT				
Airport	\$ 126,635	\$ 126,635	\$ 126,635	\$ 186,253
Budget Stabilization Fund	2,500	2,500	2,500	-
Building/Grounds Maintenance Fund	64,955	64,955	64,955	6,491
Child Care - DHS	2,000	2,000	2,000	2,000
Child Care - Probate Court	372,042	372,042	372,042	360,000
Department of Human Services	24,000	24,000	24,000	24,000
Equipment Fund	137,355	137,355	137,355	105,569
Law Library	11,449	11,449	11,449	12,820
Plaza Pool	18,139	18,139	18,139	20,323
CRTC	-	120,000	120,000	-
	<u>759,075</u>	<u>879,075</u>	<u>879,075</u>	<u>717,456</u>
Total expenditures and transfers out	<u>8,544,809</u>	<u>8,614,973</u>	<u>8,446,268</u>	<u>8,214,549</u>
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES AND TRANSFERS (BUDGETARY BASIS)	<u>\$ -</u>	<u>\$ 263,926</u>	384,614	564,093
ADJUSTMENTS				
To adjust revenues for interest and tax accruals and deferrals			40,378	(5,140)
To adjust expenditures for accrual of payables			<u>5,172</u>	<u>(47,849)</u>
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES AND TRANSFERS (GAAP BASIS)			<u>\$ 430,164</u>	<u>\$ 511,104</u>

County of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	Airport	Budget Stabilization	Child Care DHS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 74,963	\$ 3,287	\$ 46
Investments	-	147,729	-
Receivables			
Taxes	-	-	-
Interest and accounts	17,928	62	-
Due from other governmental units	-	-	-
Inventories	-	-	-
Total assets	<u>\$ 92,891</u>	<u>\$ 151,078</u>	<u>\$ 46</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 14,294	\$ -	\$ -
Accrued payroll and withholdings	5,831	-	-
Advances payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>20,125</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved	-	-	-
Unreserved			
Designated	6,315	-	-
Undesignated	66,451	151,078	46
Total fund balances	<u>72,766</u>	<u>151,078</u>	<u>46</u>
Total liabilities and fund balances	<u>\$ 92,891</u>	<u>\$ 151,078</u>	<u>\$ 46</u>

<u>Child Care Probate Court</u>	<u>Corrections Training</u>	<u>Criminal Justice Training</u>	<u>CRTC Grant</u>	<u>Drug Law Enforcement</u>	<u>Enhanced 911</u>
\$ 10,026	\$ 6,022	\$ 3,849	\$ 64,247	\$ 1,890	\$ 50,581
233,317	-	-	95,384	-	223,543
-	-	-	-	-	-
700	-	-	162	-	62,801
840	-	-	64,211	-	28,997
-	-	-	-	-	-
<u>\$ 244,883</u>	<u>\$ 6,022</u>	<u>\$ 3,849</u>	<u>\$ 224,004</u>	<u>\$ 1,890</u>	<u>\$ 365,922</u>
\$ 65,654	\$ -	\$ -	\$ 1,006	\$ -	\$ -
-	-	-	19,711	-	17,029
-	-	-	-	-	-
-	-	-	-	-	-
<u>65,654</u>	<u>-</u>	<u>-</u>	<u>20,717</u>	<u>-</u>	<u>17,029</u>
-	-	-	-	-	11,872
-	-	-	-	-	-
<u>179,229</u>	<u>6,022</u>	<u>3,849</u>	<u>203,287</u>	<u>1,890</u>	<u>337,021</u>
<u>179,229</u>	<u>6,022</u>	<u>3,849</u>	<u>203,287</u>	<u>1,890</u>	<u>348,893</u>
<u>\$ 244,883</u>	<u>\$ 6,022</u>	<u>\$ 3,849</u>	<u>\$ 224,004</u>	<u>\$ 1,890</u>	<u>\$ 365,922</u>

County of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	Family Counseling	DHS	H.U.N.T.
<b>ASSETS</b>			
Cash and cash equivalents	\$ 69,310	\$ 18,899	\$ 184,705
Investments	-	-	-
Receivables			
Taxes	-	-	-
Interest and accounts	15	-	-
Due from other governmental units	-	-	3,280
Inventories	-	-	-
Total assets	<u>\$ 69,325</u>	<u>\$ 18,899</u>	<u>\$ 187,985</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 10,403
Accrued payroll and withholdings	-	-	-
Advances payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>10,403</u>
<b>FUND BALANCES</b>			
Reserved	-	-	-
Unreserved			
Designated	-	-	-
Undesignated	69,325	18,899	177,582
Total fund balances	<u>69,325</u>	<u>18,899</u>	<u>177,582</u>
Total liabilities and fund balances	<u>\$ 69,325</u>	<u>\$ 18,899</u>	<u>\$ 187,985</u>

<u>Law Library</u>	<u>Northern Lights Arena</u>	<u>Older Persons Act</u>	<u>Parks</u>	<u>Plaza Pool</u>	<u>Register of Deeds Automation</u>
\$ 12,306	\$ 91,305	\$ 35,109	\$ 3,865	\$ 47,991	\$ 7,176
-	38,427	189,598	86,828	-	31,086
-	-	501,405	-	-	-
-	21,060	367	2,895	2,221	78
-	-	-	-	-	-
-	2,827	-	-	-	-
<u>\$ 12,306</u>	<u>\$ 153,619</u>	<u>\$ 726,479</u>	<u>\$ 93,588</u>	<u>\$ 50,212</u>	<u>\$ 38,340</u>
\$ 2,289	\$ 75,748	\$ 23,907	\$ 1,283	\$ -	\$ -
-	7,433	-	-	840	-
-	-	-	-	-	-
-	10,611	501,405	-	-	-
<u>2,289</u>	<u>93,792</u>	<u>525,312</u>	<u>1,283</u>	<u>840</u>	<u>-</u>
-	49,603	-	-	10,902	-
-	-	24,937	68,500	-	-
<u>10,017</u>	<u>10,224</u>	<u>176,230</u>	<u>23,805</u>	<u>38,470</u>	<u>38,340</u>
<u>10,017</u>	<u>59,827</u>	<u>201,167</u>	<u>92,305</u>	<u>49,372</u>	<u>38,340</u>
<u>\$ 12,306</u>	<u>\$ 153,619</u>	<u>\$ 726,479</u>	<u>\$ 93,588</u>	<u>\$ 50,212</u>	<u>\$ 38,340</u>

County of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	Veterans Trust	EPA Sewer # 5	EPA Water # 5
<b>ASSETS</b>			
Cash and cash equivalents	\$ 776	\$ -	\$ -
Investments	-	-	-
Receivables			
Taxes	-	-	-
Interest and accounts	-	-	-
Due from other governmental units	-	-	-
Inventories	-	-	-
Total assets	<u>\$ 776</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and withholdings	-	-	-
Advances payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved	-	-	-
Unreserved			
Designated	-	-	-
Undesignated	776	-	-
Total fund balances	<u>776</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 776</u>	<u>\$ -</u>	<u>\$ -</u>

1989 Water / Sewer Bond	Alpena County Building Authority Debt	Equipment and Replacement	Alpena General Hospital Capital	Total Non-Major Governmental Funds
\$ -	\$ 59,339	\$ 9,152	\$ 7,995	\$ 762,839
-	196,922	152,472	-	1,395,306
-	-	-	911,647	1,413,052
-	576	13,072	-	121,937
-	-	-	-	97,328
-	-	-	-	2,827
<u>\$ -</u>	<u>\$ 256,837</u>	<u>\$ 174,696</u>	<u>\$ 919,642</u>	<u>\$ 3,793,289</u>
\$ -	\$ -	\$ -	\$ -	\$ 194,584
-	-	-	-	50,844
-	-	-	-	-
-	-	-	911,647	1,423,663
-	-	-	911,647	1,669,091
-	-	-	-	72,377
-	256,837	-	-	356,589
-	-	174,696	7,995	1,695,232
-	256,837	174,696	7,995	2,124,198
<u>\$ -</u>	<u>\$ 256,837</u>	<u>\$ 174,696</u>	<u>\$ 919,642</u>	<u>\$ 3,793,289</u>

County of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	Airport	Budget Stabilization	Child Care DHS
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Federal grants	733,431	-	-
State grants	18,625	-	51
Other intergovernmental revenue	-	-	-
Charges for service	135,335	-	-
Fines and forfeitures	-	-	-
Interest and rents	146,315	7,318	-
Other revenue	15,833	-	-
Total revenues	1,049,539	7,318	51
<b>EXPENDITURES</b>			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Health and welfare	-	-	2,044
Recreation and cultural	1,186,972	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,186,972	-	2,044
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(137,433)	7,318	(1,993)
<b>OTHER FINANCING SOURCES (USES)</b>			
Note proceeds	-	-	-
Transfers in	145,260	2,500	2,043
Transfers (out)	-	-	(1,064)
	145,260	2,500	979
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	7,827	9,818	(1,014)
<b>FUND BALANCES, beginning of the year</b>	64,939	141,260	1,060
<b>FUND BALANCES, end of the year</b>	\$ 72,766	\$ 151,078	\$ 46

Child Care Probate Court	Corrections Training	Criminal Justice Training	CRTC Grant	Drug Law Enforcement	Enhanced 911
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
295,326	-	2,986	598,080	-	-
55,094	-	-	-	-	-
82,841	8,755	-	-	-	869,092
-	-	-	-	-	-
10,003	-	-	2,388	-	6,376
-	-	-	-	-	1,386
443,264	8,755	2,986	600,468	-	876,854
-	-	-	-	-	-
-	-	-	-	-	-
-	11,384	4,206	488,305	-	705,174
609,190	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
609,190	11,384	4,206	488,305	-	705,174
(165,926)	(2,629)	(1,220)	112,163	-	171,680
-	-	-	-	-	-
372,042	-	-	120,000	-	-
(100,043)	-	-	(28,876)	-	-
271,999	-	-	91,124	-	-
106,073	(2,629)	(1,220)	203,287	-	171,680
73,156	8,651	5,069	-	1,890	177,213
\$ 179,229	\$ 6,022	\$ 3,849	\$ 203,287	\$ 1,890	\$ 348,893

County of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	Family Counseling	DHS	H.U.N.T.
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Federal grants	-	-	-
State grants	-	-	143,829
Other intergovernmental revenue	-	-	56,725
Charges for service	3,855	1,608	-
Fines and forfeitures	-	-	81,624
Interest and rents	-	-	4,615
Other revenue	-	-	25
Total revenues	<u>3,855</u>	<u>1,608</u>	<u>286,818</u>
<b>EXPENDITURES</b>			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	248,421
Health and welfare	2,780	6,834	-
Recreation and cultural	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>2,780</u>	<u>6,834</u>	<u>248,421</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,075</u>	<u>(5,226)</u>	<u>38,397</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note proceeds	-	-	-
Transfers in	-	24,000	-
Transfers (out)	-	(16,245)	-
	<u>-</u>	<u>7,755</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	1,075	2,529	38,397
<b>FUND BALANCES, beginning of the year</b>	<u>68,250</u>	<u>16,370</u>	<u>139,185</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 69,325</u>	<u>\$ 18,899</u>	<u>\$ 177,582</u>

Law Library	Northern Lights Arena	Older Persons Act	Parks	Plaza Pool	Register of Deeds Automation
\$ -	\$ -	\$ 476,090	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	10,551	-	-	-
-	-	-	-	-	-
-	644,848	-	128,690	99,890	35,300
3,500	-	-	-	-	-
-	8,811	18,349	5,360	-	1,387
-	50,279	-	23,453	19,233	-
<u>3,500</u>	<u>703,938</u>	<u>504,990</u>	<u>157,503</u>	<u>119,123</u>	<u>36,687</u>
12,672	-	-	-	-	-
-	-	-	-	-	18,153
-	-	-	-	-	-
-	-	-	-	-	-
-	627,237	420,318	210,772	122,574	-
-	5,950	-	-	-	-
-	-	-	-	-	-
<u>12,672</u>	<u>633,187</u>	<u>420,318</u>	<u>210,772</u>	<u>122,574</u>	<u>18,153</u>
<u>(9,172)</u>	<u>70,751</u>	<u>84,672</u>	<u>(53,269)</u>	<u>(3,451)</u>	<u>18,534</u>
-	-	-	-	-	-
11,449	-	-	-	18,139	-
-	-	-	-	-	-
<u>11,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,139</u>	<u>-</u>
2,277	70,751	84,672	(53,269)	14,688	18,534
<u>7,740</u>	<u>(10,924)</u>	<u>116,495</u>	<u>145,574</u>	<u>34,684</u>	<u>19,806</u>
<u>\$ 10,017</u>	<u>\$ 59,827</u>	<u>\$ 201,167</u>	<u>\$ 92,305</u>	<u>\$ 49,372</u>	<u>\$ 38,340</u>

County of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	Veterans Trust	EPA Sewer # 5	EPA Water # 5
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Federal grants	-	-	-
State grants	2,770	-	-
Other intergovernmental revenue	-	214,750	29,313
Charges for service	-	-	-
Fines and forfeitures	-	-	-
Interest and rents	-	-	-
Other revenue	-	-	-
Total revenues	<u>2,770</u>	<u>214,750</u>	<u>29,313</u>
<b>EXPENDITURES</b>			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Health and welfare	2,819	-	-
Recreation and cultural	-	-	-
Debt Service			
Principal	-	195,000	25,000
Interest	-	19,750	4,313
Total expenditures	<u>2,819</u>	<u>214,750</u>	<u>29,313</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(49)</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note proceeds	-	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(49)	-	-
<b>FUND BALANCES, beginning of the year</b>	<u>825</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 776</u>	<u>\$ -</u>	<u>\$ -</u>

1989 Water / Sewer Bond	Alpena County Building Authority Debt	Equipment and Replacement	Alpena General Hospital Capital	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 849,119	\$ 1,325,209
-	-	-	-	733,431
-	-	-	19,164	1,091,382
69,875	168,200	-	-	593,957
-	-	-	-	2,010,214
-	-	-	-	85,124
-	341,644	8,243	-	560,809
-	-	32,858	-	143,067
<u>69,875</u>	<u>509,844</u>	<u>41,101</u>	<u>868,283</u>	<u>6,543,193</u>
-	-	-	-	12,672
-	-	49,503	-	67,656
-	-	-	-	1,457,490
-	-	-	866,423	1,490,090
-	-	-	-	2,567,873
65,000	337,300	81,441	-	709,691
4,875	107,313	6,593	-	142,844
<u>69,875</u>	<u>444,613</u>	<u>137,537</u>	<u>866,423</u>	<u>6,448,316</u>
-	65,231	(96,436)	1,860	94,877
-	-	-	-	-
-	-	137,355	-	832,788
-	-	-	-	(146,228)
<u>-</u>	<u>-</u>	<u>137,355</u>	<u>-</u>	<u>686,560</u>
-	65,231	40,919	1,860	781,437
-	191,606	133,777	6,135	1,342,761
<u>\$ -</u>	<u>\$ 256,837</u>	<u>\$ 174,696</u>	<u>\$ 7,995</u>	<u>\$ 2,124,198</u>

County of Alpena

**COMBINING BALANCE SHEET - FIDUCIARY FUNDS**

December 31, 2007

	Trust and Agency Fund	Library Penal Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 658,584	\$ 80,445
Investments	-	-
Interest and accounts	-	-
	<u>\$ 658,584</u>	<u>\$ 80,445</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Accrued payroll and withholdings	\$ (4,833)	\$ -
Other liabilities and deposits	<u>663,417</u>	<u>80,445</u>
	<u>658,584</u>	<u>80,445</u>
Fund balances	-	-
	<u>\$ 658,584</u>	<u>\$ 80,445</u>

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Employee Sick Pay	Totals
\$ 2,667	\$ 741,696
265,797	265,797
126	126
<u>\$ 268,590</u>	<u>\$ 1,007,619</u>
\$ 268,590	\$ 263,757
<u>-</u>	<u>743,862</u>
<u>268,590</u>	<u>1,007,619</u>
<u>-</u>	<u>-</u>
<u>\$ 268,590</u>	<u>\$ 1,007,619</u>

County of Alpena

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS**

Year Ended December 31, 2007

	Balances Jan 01, 07	Additions	Deductions	Balances Dec 31, 07
<b>TRUST AND AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 830,831	\$ 14,857,726	\$ 15,029,973	\$ 658,584
	<u>\$ 830,831</u>	<u>\$ 14,857,726</u>	<u>\$ 15,029,973</u>	<u>\$ 658,584</u>
<b>LIABILITIES</b>				
Payroll withholdings and other	\$ 20,263	\$ 1,685,546	\$ 1,710,642	\$ (4,833)
Other liabilities and deposits	<u>810,568</u>	<u>18,175,463</u>	<u>18,322,614</u>	<u>663,417</u>
	<u>\$ 830,831</u>	<u>\$ 19,861,009</u>	<u>\$ 20,033,256</u>	<u>\$ 658,584</u>
<b>LIBRARY PENAL FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 95,416	\$ 164,284	\$ 179,255	\$ 80,445
	<u>\$ 95,416</u>	<u>\$ 164,284</u>	<u>\$ 179,255</u>	<u>\$ 80,445</u>
<b>LIABILITIES</b>				
Other liabilities and deposits	\$ 95,416	\$ 164,284	\$ 179,255	\$ 80,445
	<u>\$ 95,416</u>	<u>\$ 164,284</u>	<u>\$ 179,255</u>	<u>\$ 80,445</u>
<b>EMPLOYEE SICK PAY FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,092	\$ 2,585	\$ 5,010	\$ 2,667
Investments	246,730	19,067	-	265,797
Interest and accounts receivable	<u>1,051</u>	<u>126</u>	<u>1,051</u>	<u>126</u>
	<u>\$ 252,873</u>	<u>\$ 21,778</u>	<u>\$ 6,061</u>	<u>\$ 268,590</u>
<b>LIABILITIES</b>				
Payroll withholdings and other	\$ 252,873	\$ 21,777	\$ 6,060	\$ 268,590
	<u>\$ 252,873</u>	<u>\$ 21,777</u>	<u>\$ 6,060</u>	<u>\$ 268,590</u>

County of Alpena

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS**

Year Ended December 31, 2007

	Balances Jan 01, 07	Additions	Deductions	Balances Dec 31, 07
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 931,339	\$ 15,024,595	\$ 15,214,238	\$ 741,696
Investments	246,730	19,067	-	265,797
Interest and accounts receivable	1,051	126	1,051	126
	<u>\$ 1,179,120</u>	<u>\$ 15,043,788</u>	<u>\$ 15,215,289</u>	<u>\$ 1,007,619</u>
<b>LIABILITIES</b>				
Payroll withholdings and other	\$ 273,136	\$ 1,707,323	\$ 1,716,702	\$ 263,757
Other liabilities and deposits	905,984	18,339,747	18,501,869	743,862
	<u>\$ 1,179,120</u>	<u>\$ 20,047,070</u>	<u>\$ 20,218,571</u>	<u>\$ 1,007,619</u>

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2007

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<b>PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES</b>				
Alpena County Sanitary Sewage Unlimited Tax Refunding Bonds Date of Issue: January 12, 1994 Amount of Issue: \$2,705,000	5.00%	2008	<u>\$ 190,000</u>	<u>\$ 9,500</u>
			<u>190,000</u>	<u>9,500</u>
Alpena County Water Supply System No. 5 Date of Issue: May 1, 1989 Amount of Issue: \$870,000	7.50%	2008	25,000	2,438
	7.50%	2009	<u>20,000</u>	<u>750</u>
			<u>45,000</u>	<u>3,188</u>
Alpena County Building Authority Building Authority Bonds Date of Issue: March 1, 1998 Amount of Issue: \$1,360,000	4.75%	2008	115,000	27,841
	4.75%	2009	120,000	22,260
	4.75%	2010	130,000	16,322
	4.85%	2011	130,000	10,082
	4.95%	2012	<u>140,000</u>	<u>3,465</u>
			<u>635,000</u>	<u>79,970</u>
Alpena County Building Authority Building Authority Bonds Date of Issue: November 1, 1999 Amount of Issue: \$840,000	5.00%	2008	80,000	18,330
	5.10%	2009	40,000	15,310
	5.20%	2010	40,000	13,250
	5.25%	2011	40,000	11,160
	5.30%	2012	40,000	9,050
	5.40%	2013	40,000	6,910
	5.50%	2014	50,000	4,455
	5.60%	2015	<u>55,000</u>	<u>1,540</u>
			<u>385,000</u>	<u>80,005</u>

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2007

	Interest Rate	Date of Maturity	Principal Payable	Annual Interest Payable
<b>PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES (continued)</b>				
Alpena County Building Authority	4.20%	2008	\$ 60,000	\$ 30,245
Building Authority Bonds	4.30%	2009	65,000	27,588
Date of Issue: September 1, 2001	4.40%	2010	70,000	24,650
Amount of Issue: \$995,000	4.50%	2011	70,000	21,535
	4.60%	2012	75,000	18,235
	4.80%	2013	80,000	14,590
	4.90%	2014	80,000	10,710
	5.00%	2015	85,000	6,625
	5.00%	2016	90,000	2,250
			<u>675,000</u>	<u>156,428</u>
Alpena County Building Authority	4.10%	2008	90,000	12,040
Building Authority Bonds	4.30%	2009	70,000	8,350
Date of Issue: February 1, 2002	4.40%	2010	60,000	5,340
Amount of Issue: \$960,000	4.50%	2011	60,000	2,700
			<u>280,000</u>	<u>28,430</u>
Alpena County Building Authority	4.40%	2008	11,612	2,222
Commercial bank loan	4.40%	2009	12,136	1,698
Date of Issue: April 12, 2002	4.40%	2010	12,677	1,156
Amount of Issue: \$135,000		2011	13,242	591
			<u>49,667</u>	<u>5,667</u>
Alpena County Building Authority		2008	83,869	-
Intergovernmental loan				
Date of Issue: March 31, 2003			83,869	-
Amount of Issue: \$112,500				

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2007

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<b>PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES (continued)</b>				
Various Installment purchase agreements		2008	\$ 51,135	\$ 3,051
		2009	20,544	1,233
			<u>71,679</u>	<u>4,284</u>
Total Primary Government - Governmental Activities			<u>\$ 2,415,215</u>	<u>\$ 367,472</u>

**DISCRETELY PRESENTED COMPONENT UNITS**

**Alpena General Hospital**

Alpena General Hospital	4.875%	2008	\$ 325,000	\$ 266,297
1999 G.O. Improvement Bonds	4.875%	2009	350,000	250,453
Date of Issue: November 1, 1999	4.875%	2010	375,000	234,000
Amount of Issue: \$7,525,000	4.875%	2011	375,000	216,328
	4.875%	2012	400,000	198,047
	4.875%	2013	400,000	179,156
	4.875%	2014	425,000	159,047
	4.875%	2015	450,000	137,719
	4.875%	2016	475,000	115,172
	4.875%	2017	500,000	91,406
	4.875%	2018	525,000	66,422
	4.875%	2019	550,000	40,219
	4.875%	2020	<u>550,000</u>	<u>13,406</u>
			<u>5,700,000</u>	<u>1,967,672</u>

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2007

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<b>DISCRETELY PRESENTED COMPONENT UNITS (continued)</b>				
Alpena General Hospital	5.000%	2008	\$ 250,000	\$ 230,787
2000 G.O. Improvement Bonds	5.000%	2009	250,000	217,662
Date of Issue: May 1, 2000	5.000%	2010	250,000	203,912
Amount of Issue: \$5,875,000	5.000%	2011	300,000	189,538
	5.000%	2012	300,000	173,913
	5.125%	2013	325,000	157,459
	5.125%	2014	325,000	140,803
	5.200%	2015	350,000	123,375
	5.250%	2016	375,000	104,431
	5.250%	2017	375,000	84,744
	5.350%	2018	400,000	64,200
	5.350%	2019	450,000	41,463
	5.350%	2020	550,000	14,712
			<u>4,500,000</u>	<u>1,746,999</u>
Alpena General Hospital	3.57%	2008	<u>840,000</u>	<u>29,988</u>
2003 G.O. Improvement Bonds				
Date of Issue: May 1, 2003			<u>840,000</u>	<u>29,988</u>
Amount of Issue: \$3,925,000				
Various Installment purchase agreements		2008	491,658	30,447
		2009	445,319	10,883
		2010	52,935	416
			<u>989,912</u>	<u>41,746</u>
Total discretely presented component units			<u>\$ 12,029,912</u>	<u>\$ 3,786,405</u>



*Certified Public Accountants*

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TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRED:  
ARMINA WITHERS, CPA  
SARAH BULL, CPA  
MARLEN YOUNG, CPA

May 30, 2008

To the Board of Commissioners  
County of Alpena  
Alpena, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Alpena, Michigan for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated February 1, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County of Alpena, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Alpena, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Alpena, Michigan's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Alpena, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Alpena, Michigan's compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 1, 2008.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Alpena, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of fixed assets for depreciation purposes is based on historical information and industry estimates. We evaluated the assumptions used to develop depreciation expense in determining that it is reasonable in relation to the basic financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 30, 2008.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Eleven new auditing standards have been issued that require significant changes in how audits are performed. Similar to the Sarbanes-Oxley rules that impacted publicly held corporations, these rules are intended to help audited entities strengthen their internal controls. In brief, these new rules require all auditors to:

- Obtain a deeper understanding of the design and operation of internal control
- Assess the effectiveness of internal control
- Obtain corroborating evidence that the understanding is correct and the assessment is appropriate (i.e., inspection of documents, observation of procedures, or inquiry)
- Consider "what could go wrong" in the financial statement process (evaluate the risks of financial statement errors)
- Link the results to specific further audit procedures
- Communicate a summary of the results of the auditor's work to those charged with governance (the County Board of Commissioners)

As you can see, auditors will spend significantly more time working with all aspects of your internal control. These new rules are not limited to the public sector – they will apply to any organization that obtains an audit (nonprofit organization, private company, etc.). These new rules will impact audited organizations in two ways: your finance staff will incur more time and effort in preparation for the audit, and the audit process will require additional time.

### **The Concept of Significant Deficiencies and Material Weaknesses under Statement on Auditing Standards No. 112**

New auditing rules have resulted in changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a "significant deficiency." The new threshold for a significant deficiency is a low one – a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the county board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### **Financial Statement Presentation**

As is the case with many smaller and medium-sized entities, the County of Alpena has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of the County's internal controls. In taking this required position, we must consider whether the County has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The County uses accounting software generated financial statements as a management tool to monitor the financial status of the County, prepare budgets and to compare current financial trends to historical information which is appropriate for the County. Due to the complexity of the required government-wide financial statements, proprietary fund reporting and related note disclosures, the County does not demonstrate the expertise to report in accordance with U.S. generally accepted accounting principles without auditor intervention.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result, the County lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

#### **Alpena County Library Investment**

The investment policy of the County of Alpena in accordance with (Act 20 of 1943) "Investment of Surplus Funds of Political Subdivisions" of the State of Michigan contains restrictions on what investments the County can participate in to invest "surplus" funds. The County Library had surplus funds deposited in a non-endowed fund established at the Community Foundation for Northeast Michigan.

The fund was originally set up to invest monies received by the library earmarked for future capital asset needs of the library. However, in addition to these monies, the library also invested \$148,000 of "surplus" funds, which in the opinion of legal counsel, did not meet the standards of the county investment policy. These funds, with the cooperation of the Library Director, have been subsequently returned to the control of the Alpena County Treasurer. In the future, only specified donations will be deposited with the foundation in this account. The County is encouraged to review the statute (Act 380 of 1913) "Gifts of Property" that allows gifts of property to be held by the Community Foundation. These assets remain property of the County and call for the establishment of an advisory board, including at least one (1) representative of the County of Alpena.

#### **Imprest Checking Accounts**

As part of their arrangement to operate independently from the County, several component units have established their own imprest checking accounts. These accounts are to be maintained with a pre-determined balance and all checks issued are to be reflected on a voucher drawn from funds on hand with the County Clerk's office. We believe that the balances deposited in these accounts should not be increased without knowledge and approval from the County. In addition, as part of the monthly bank reconciliation process all component units should account for these funds and balance with the County Treasurer. We have detected certain component units with amounts well in excess of the stated imprest amount. Either the accounting entry should be changed to reflect the true balance held in the imprest account or the excess amount should be returned to the County.

#### **Capital Asset Inventory**

In August 2001 a capital asset appraisal was completed for the purpose of inclusion in the County's government-wide financial statements. Since that time, a schedule of additions and deletions has been maintained by the County to supplement the original appraisal. We believe that it is in the best interests of the County to commission the taking of another appraisal to inventory its capital assets. We recommend that this be undertaken to include the results as part of the 2008 financial statements.

#### **Other Matters**

1. **Recent Pronouncements.** The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the County of Alpena maintains its financial records:

- A. **GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the County to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2008.
- B. **GASB Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations.** This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This will require the County to capitalize pollution remediation outlays in the future. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2008.
- C. **GASB Statement No. 50 Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.** This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2008.
- D. **GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets.** This statement establishes consistent standards as to whether intangible assets including easements, timber rights, and computer software should be considered capital assets for financial reporting purposes. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2010.

We wish to thank the staff of the County of Alpena for their assistance during the audit.

This report is intended solely for the information and use of the Board of Commissioners of the County of Alpena, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by County of Alpena, is a matter of public record.

We appreciate the opportunity to serve County of Alpena. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

*Straley, Irlsey & Kemp P.C.*

**COUNTY OF ALPENA, MICHIGAN**

Federal Financial Assistance Compliance Audit  
(Single Audit)

For The Year Ended December 31, 2007

**STRALEY, ILSLEY & LAMP P.C.**

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ALPENA, MICHIGAN, C.F.A.  
JAMES E. KENNEDY, C.F.A.  
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To the Board of Commissioners  
County of Alpena, Michigan

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Alpena, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County of Alpena, Michigan's basic financial statements and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Alpena General Hospital, representing 64% of the assets, 54% of the net assets, and 88% of the revenues of the discretely presented component units, and the Alpena County Road Commission, representing 31% of the assets, 41% of the net assets, and 6% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Alpena General Hospital and the Alpena County Road Commission is based solely on the report of the other auditors.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Alpena, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Alpena, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Alpena, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Alpena, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the County of Alpena, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Alpena, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of the County of Alpena, Michigan, in a separate letter dated May 30, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alpena, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Straley, Isley & Lamp P.C.*

May 30, 2008



Certified Public Accountants

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To the Board of Commissioners  
County of Alpena, Michigan

### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SUPPLEMENTAL SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE.**

#### **Compliance**

We have audited the compliance of County of Alpena, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. County of Alpena, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of County of Alpena, Michigan's management. Our responsibility is to express an opinion on County of Alpena, Michigan's compliance based on our audit.

The County of Alpena, Michigan's basic financial statements include the operations of the Alpena County Road Commission, which received \$ 1,288,624 in federal awards, which is not included in the schedule during the year ended December 31, 2007. Our audit, described below, did not include the operations of the Alpena County Road Commission because they engaged other auditors to perform an audit in accordance with (OMB) Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB A-133 Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Alpena, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Alpena, Michigan's compliance with those requirements.

In our opinion, County of Alpena, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal financial assistance programs for the year ended December 31, 2007.

#### **Internal Control Over Compliance**

The management of the County of Alpena, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Alpena, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County of Alpena, Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Federal Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Alpena, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County of Alpena, Michigan's basic financial statements and have issued our report thereon dated May 30, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of Alpena, Michigan's, basic financial statements. The accompanying schedule of Federal Financial Assistance is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Stratney, Irlsey & Lamp P.C.*

May 30, 2008

County of Alpena

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

For the year ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Direct program:			
Rural Development Housing Preservation Program	10.433		
Rural Development Housing - 06/07			\$ 17,342
			<u>17,342</u>
Passed through State of Michigan Department of Community Health: Special Supplemental Nutrition Program	10.557		
4275-W.I.C. - 06/07		XX4W1006	267,153
4275-W.I.C. - 07/08		XX4W1006	257,608
			<u>524,761</u>
Total U.S. Department of Agriculture			<u>542,103</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Michigan State Housing Development Authority: Community Development Block Grant	14.228	MSC 07-0756-HOA	
			<u>200,000</u>
Total U.S. Department of Housing and Urban Development			<u>200,000</u>
<u>U.S. Department of Justice</u>			
Passed through State of Michigan Department of Human Services:			
Juvenile Accountability Incentive Block Grants	16.523		
JAIBG - Juvenile grant - 06/07		JABGN 06-04001	6,306
JAIBG - Juvenile grant - 06/07		JABGN 07-04001	8,129
JAIBG - Juvenile grant - 07/08		JABGN 07-04001	3,948
			<u>18,383</u>
Juvenile Justice and Delinquency Prevention Juvenile Delinquency Prevention Task Force	16.540	43IN7200500	
			<u>30,000</u>
Total Passed Through State of Michigan Department of Human Services			<u>48,383</u>

\* Major Program

Revenue Accrued (Deferred) at Dec. 31,2006	Prior Year (s) Expenditures	Receipts	Expenditures	Revenue Accrued (Deferred) at Dec. 31,2007	Total Expenditures
\$ 5,000	\$ 5,000	\$ 17,342	\$ 12,342	\$ -	\$ 17,342
5,000	5,000	17,342	12,342	-	17,342
-	64,800	202,353	202,353	-	267,153
-	-	64,401	64,401	-	64,401
-	64,800	266,754	266,754	-	331,554
5,000	69,800	284,096	279,096	-	348,896
-	-	30,315	30,315	-	30,315
-	-	30,315	30,315	-	30,315
1,930	2,894	5,342	3,412	-	6,306
-	-	8,129	8,129	-	8,129
-	-	-	3,948	3,948	3,948
1,930	2,894	13,471	15,489	3,948	18,383
-	-	22,648	22,648	-	22,648
1,930	2,894	36,119	38,137	3,948	41,031

See the accompanying notes to Schedule of Federal Assistance.

County of Alpena

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

For the year ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Justice - (continued)</u>			
Passed through State of Michigan Department of Community Health:			
Byrne Formula Grant Program	16.579		
Huron Undercover Narcotics Team			
Multi Jurisdictional Task Force - 06/07		70874-9-07-B	\$ 165,000
Multi Jurisdictional Task Force - 07/08		70874-9-08-B	165,000
Total Passed Through State of Michigan Department of Community Health			<u>330,000</u>
Total U.S. Department of Justice			<u>378,383</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through Michigan Department of Environmental Quality:			
Capital Grant for Drinking Water Revolving Fund Capacity Development - 06/07	66.468	FS 97548704	<u>900</u> <u>900</u>
Operator Certification Expense Reimbursement Operator Certification - 06/07	66.471	CT 975861	<u>9,800</u> <u>9,800</u>
Beach Monitoring and Notification Program Great Lakes Beach Monitoring Project - 06/07	66.472	CU 97592401	<u>12,266</u> <u>12,266</u>
Total U.S Environmental Protection Agency			<u>22,966</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Michigan Department of Community Health:			
Family Planning Services	93.217		
4281-Family Planning - 06/07		05H000173	61,852
4281-Family Planning - 07/08		05H000173	66,691
			<u>128,543</u>

\* Major Program

Revenue Accrued (Deferred) at Dec. 31,2006	Prior Year (s) Expenditures	Receipts	Expenditures	Revenue Accrued (Deferred) at Dec. 31,2007	Total Expenditures
\$ 3,958	\$ 4,086	\$ 144,507	\$ 140,549	\$ -	\$ 144,635
-	-	-	3,280	3,280	3,280
3,958	4,086	144,507	143,829	3,280	147,915
5,888	6,980	180,626	181,966	7,228	188,946
-	-	352	352	-	352
-	-	352	352	-	352
-	-	5,600	5,600	-	5,600
-	-	5,600	5,600	-	5,600
-	-	12,266	12,266	-	12,266
-	-	12,266	12,266	-	12,266
-	-	18,218	18,218	-	18,218
-	12,654	49,198	49,198	-	61,852
-	-	16,672	16,672	-	16,672
-	12,654	65,870	65,870	-	78,524

See the accompanying notes to Schedule of Federal Assistance.

County of Alpena

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

For the year ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Health and Human Services - (continued)</u>			
Childhood Immunization Grants	93.268		
1300-Immunization - IAP - 06/07		H23 CCH522556	\$ 26,830
1300-Immunization - IAP - 07/08		H23 CCH522556	25,340
1340-Immunization Vaccine Handling - 07/08		H23 CCH522556	2,863
Fixed Unit - Immunization AFIX - 06/07		5H23 IP522556	-
Fixed Unit - Immunization AFIX - 07/08		5H23 IP522556	-
Vaccines provided - 06/07		5H23 IP522556	-
			<u>55,033</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		
1351-BCCCP Coordination - 06/07		U57 CCU506738	32,107
1351-BCCCP Coordination - 07/08		FIX ME	35,308
1353-Cancer Family Planning - 06/07		U57 CCU506738	1,980
1353-Cancer Family Planning - 07/08		FIX ME	1,650
1355-Cancer Colorectal Cancer - 06/07		U55 CCU516027	10,000
1357-Cancer Wisewoman Coord - 06/07		U58 CCU522826	22,292
1357-Cancer Wisewoman Coord - 07/08		FIX ME	31,500
1589-Bioterrorism Pandemic Flu - 06/07		CCU517018	60,411
1589-Bioterrorism Pandemic Flu - 07/08		CCU517018	55,054
1590-Bioterrorism Focus A - 06/07		CCU517018	159,864
1590-Bioterrorism Focus A - 07/08		CCU517018	134,228
			<u>342,751</u>
Medical Assistance Program	93.778		
4356-Case Management Services - 06/07		5XX05MI5048	16,749
4356-Case Management Services - 07/08		5XX05MI5048	18,550
Fixed Unit - CSHCS Care Coordination - 06/07		50705MI5078	-
Fixed Unit - CSHCS Care Coordination - 07/08		50805MI5078	-
Fixed Unit - Medicaid Outreach - 06/07		50705MI5078	-
Fixed Unit - Medicaid Outreach - 07/08		50805MI5078	-
			<u>35,299</u>
HIV Prevention Health Department Based	93.940		
Fixed Unit - AIDS/HIV Prevention - 06/07		U62-CCU523464	-
Fixed Unit - AIDS/HIV Prevention - 07/08		U62-CCU523464	-
			<u>-</u>

\* Major Program

Revenue Accrued (Deferred) at Dec. 31,2006	Prior Year (s) Expenditures	Receipts	Expenditures	Revenue Accrued (Deferred) at Dec. 31,2007	Total Expenditures
\$ -	\$ 6,707	\$ 20,123	\$ 20,123	\$ -	\$ 26,830
-	-	6,335	6,335	-	6,335
-	-	-	-	-	-
-	-	5,400	5,400	-	5,400
-	-	-	250	250	250
-	-	596,068	596,068	-	596,068
-	6,707	627,926	628,176	250	634,883
-	8,028	24,079	24,079	-	32,107
-	-	8,826	8,826	-	8,826
-	414	1,566	1,566	-	1,980
-	-	414	414	-	414
-	-	10,000	10,000	-	10,000
-	466	21,826	21,826	-	22,292
-	-	7,875	7,875	-	7,875
15,139	15,139	60,411	45,272	-	60,411
-	-	16,515	16,515	-	16,515
-	40,758	119,106	119,106	-	159,864
-	-	40,269	40,269	-	40,269
15,139	56,777	237,713	222,574	-	279,351
-	4,222	12,527	12,527	-	16,749
-	-	4,637	4,637	-	4,637
4,100	4,100	23,600	23,900	4,400	28,000
-	-	-	6,500	6,500	6,500
5,240	5,240	19,696	25,679	11,223	30,919
-	-	-	8,158	8,158	8,158
9,340	13,562	60,460	81,401	30,281	94,963
26	26	127	195	94	221
-	-	-	128	128	128
26	26	127	323	222	349

See the accompanying notes to Schedule of Federal Assistance.

County of Alpena

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

For the year ended December 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount
<u>U.S. Department of Health and Human Services - (continued)</u>			
Passed through State of Michigan			
Department of Community Health - (continued):			
Maternal and Child Health Services	93.994		
4262-Local MCH - 06/07		B1MIMCHS	\$ 62,039
4262-Local MCH - 07/08		B1MIMCHS	62,039
4281-Family Planning - 06/07		B1MIMCHS	12,521
4356-Case Management Services - 06/07		B1MIMCHS	11,135
4356-Case Management Services - 07/08		B1MIMCHS	9,943
			<u>157,677</u>
Total Passed Through State of Michigan			
Department of Community Health			<u>719,303</u>
Passed through State of Michigan			
Department of Human Services:			
Promoting Safe and Stable Families	* 93.556		
Day One - Alpena County - 06/07		CAN 05-04001	98,578
			<u>98,578</u>
Temporary Assistance for Needy Families	* 93.558		
0-3 Toddler - Alpena County - 06/07		CTFPR 05-04001	123,244
0-3 Toddler - Alpena County - 07/08		CTFPR 05-04001	123,244
0-3 Toddler - Montmorency County - 06/07		CTFPR 05-60001	71,371
0-3 Toddler - Montmorency County - 07/08		CTFPR 05-60001	71,371
Day One - Alpena County - 06/07		CAN 05-04001	69,499
			<u>458,729</u>
Child Support Enforcement	* 93.563		
Friend of the Court - 06/07		CS/FOC-07-04001	465,043
Friend of the Court - 07/08		CS/FOC-08-04001	580,247
Friend of the Court - Incentive - 04/05		CS/FOC-05-04001	10,436
Friend of the Court - Incentive - 05/06		CS/FOC-06-04001	16,136
Friend of the Court - Incentive - 06/07		CS/FOC-07-04001	66,581
Friend of the Court - Incentive - 07/08		CS/FOC-08-04001	16,645
Prosecuting Attorney - 06/07		CS/PA-07-04002	41,928
Prosecuting Attorney - 07/08		CS/PA-08-04002	13,105
			<u>1,210,121</u>

\* Major Program

Revenue Accrued (Deferred) at Dec. 31,2006	Prior Year (s) Expenditures	Receipts	Expenditures	Revenue Accrued (Deferred) at Dec. 31,2007	Total Expenditures
\$ -	\$ 13,812	\$ 48,227	\$ 48,227	\$ -	\$ 62,039
-	-	15,510	15,510	-	15,510
-	3,130	9,391	9,391	-	12,521
-	2,783	8,352	8,352	-	11,135
-	-	2,485	2,485	-	2,485
-	19,725	83,965	83,965	-	103,690
24,505	109,451	1,076,061	1,082,309	30,753	1,191,760
12,418	30,109	80,887	68,469	-	98,578
12,418	30,109	80,887	68,469	-	98,578
3,823	34,634	92,434	88,611	-	123,245
-	-	-	36,290	36,290	36,290
-	19,446	51,925	51,925	-	71,371
-	-	17,843	16,871	(972)	16,871
8,756	21,228	57,027	48,271	-	69,499
12,579	75,308	219,229	241,968	35,318	317,276
70,268	105,076	430,235	359,967	-	465,043
-	-	-	96,142	96,142	96,142
10,436	10,436	10,436	-	-	10,436
-	-	16,136	16,136	-	16,136
16,815	16,815	66,581	49,766	-	66,581
-	-	16,645	16,645	-	16,645
8,028	11,669	38,287	30,259	-	41,928
-	-	-	13,105	13,105	13,105
105,547	143,996	578,320	582,020	109,247	726,016

See the accompanying notes to Schedule of Federal Assistance.

County of Alpena

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

For the year ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Health and Human Services - (continued)</u>			
Passed through State of Michigan Department of Human Services - (continued)			
Foster Care	93.658		
Prosecuting Attorney - 06/07		PRO/FC-05-04001	\$ 4,131
Prosecuting Attorney - 07/08		PRO/FC-05-04001	977
			<u>5,108</u>
Total passed through State of Michigan Department of Human Services			<u>1,772,536</u>
Total U.S. Department of Health and Human Services			<u>2,491,839</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Michigan State Police Emergency Management Division:			
Emergency Management Performance Grants	97.042		
Local Assistance Grant - 06/07		120204-007	<u>6,638</u>
			<u>6,638</u>
Total U.S. Department of Homeland Security			<u>6,638</u>
Total Federal Financial Assistance			<u>\$ 3,641,929</u>

\* Major Program

<u>Revenue Accrued (Deferred) at Dec. 31,2006</u>	<u>Prior Year (s) Expenditures</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue Accrued (Deferred) at Dec. 31,2007</u>	<u>Total Expenditures</u>
\$ 434	\$ 1,061	\$ 3,504	\$ 3,070	\$ -	\$ 4,131
-	-	421	977	556	977
<u>434</u>	<u>1,061</u>	<u>3,925</u>	<u>4,047</u>	<u>556</u>	<u>5,108</u>
130,978	250,474	882,361	896,504	145,121	1,146,978
<u>155,483</u>	<u>359,925</u>	<u>1,958,422</u>	<u>1,978,813</u>	<u>175,874</u>	<u>2,338,738</u>
-	-	6,638	6,638	-	6,638
<u>-</u>	<u>-</u>	<u>6,638</u>	<u>6,638</u>	<u>-</u>	<u>6,638</u>
-	-	6,638	6,638	-	6,638
<u>-</u>	<u>-</u>	<u>6,638</u>	<u>6,638</u>	<u>-</u>	<u>6,638</u>
<u>\$ 166,371</u>	<u>\$ 436,705</u>	<u>\$ 2,478,315</u>	<u>\$ 2,495,046</u>	<u>\$ 183,102</u>	<u>\$ 2,931,751</u>

See the accompanying notes to Schedule of Federal Assistance.

County of Alpena

**NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

**NOTE 1--SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying schedule of federal financial assistance includes the federal grant activity of the County of Alpena, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the schedule.

For the audit period ended December 31, 2007 the County of Alpena, Michigan's dollar threshold for larger Federal programs, which were regarded as Type A programs, were programs with Federal awards expended during the audit period which exceeded \$300,000. All other Federal programs were regarded as Type B programs. No federal programs were considered to be high-risk and the determination was made that major programs were all Type A programs and additional Type B programs to encompass at least 25% of the total federal awards expended. During the year ended December 31, 2007, the County of Alpena, Michigan expended 36% of its total expenditures of Federal Awards programs audited as Major programs.

**B. CFDA**

This refers to the Catalog of Federal Domestic Assistance.

**C. RECEIPTS**

Current year receipts represent cash/payments-in-kind received from Federal sources during the period January 1, 2007 through December 31, 2007.

**NOTE 2--MICHIGAN DEPARTMENT OF TRANSPORTATION PASS - THROUGH GRANTS**

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway, Research, Planning and Construction pertaining to their County. However, only the federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by (MDOT).

During the year ended December 31, 2007, the Road Commission of the County of Alpena, Michigan had less than \$500,000 of applicable federal awards for local force expenditures. As a result, an audit for compliance under the Single Audit Act is not required.

During the year ended December 31, 2007, (MDOT) expended \$ 1,288,624 representing U.S. Department of Transportation Federal Highway grant money on public road improvements projects which were administered by the Michigan Department of Transportation. These expenditures are not included in the County of Alpena, Michigan's Schedule of Federal Financial Assistance for the year ended December 31, 2007.

County of Alpena

**NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

**NOTE 3--MICHIGAN DEPARTMENT OF TRANSPORTATION PASS - THROUGH GRANTS**

It is required by the Michigan Department of Transportation (MDOT) that Airports report total federal awards for Small Community Air Service Development Pilot Program pertaining to their County. However, only the federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through Airport procurement. The reason for this requirement is that the Airport is required to have accounting and administrative control over the force account portion while the balance is administered by (MDOT).

During the year ended December 31, 2007, (MDOT) expended \$ 707,750 representing U.S. Department of Transportation Federal Small Community Air Service Development Pilot Program projects which were administered by the Michigan Department of Transportation. These expenditures are not included in the County of Alpena, Michigan's Schedule of Federal Financial Assistance for the year ended December 31, 2007.

**NOTE 4--MICHIGAN FAMILY INDEPENDENCE AGENCY/TITLE IV-D COOPERATIVE REIMBURSEMENT GRANTS**

Grant funds received from the State of Michigan Department of Human Services for Child Support Enforcement CFDA # 93.563 are comprised of both federal and state revenue. The following is a summary of grant activity:

Contract Number	Net Expenditures	FIA IV-D Reimbursement			County Share
		Federal	State	Total	
CSFOC-07-04001	\$ 704,610	\$465,043	\$ -	\$465,043	\$239,567
CSFOC-07-04001	7,119	-	7,119	7,119	-
CSFOC-08-04001	145,669	96,142	-	96,142	49,527
CSFOC-08-04001	16,645	16,645	-	16,645	-
CSFOC-05-04001	10,436	10,436	-	10,436	-
CSFOC-06-04001	16,136	16,136	-	16,136	-
CSFOC-07-04001	66,581	66,581	-	66,581	-
CSPA-07-04002	63,527	41,928	-	41,928	21,599
CSPA-07-04002	625	-	625	625	-
CSPA-08-04002	15,400	8,649	-	8,649	6,751
CSPA-08-04002	4,456	4,456	-	4,456	-
Totals	\$1,051,204	\$726,016	\$ 7,744	\$ 733,760	\$317,444

County of Alpena

**NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

**NOTE 5--RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

Federal financial assistance revenues are reported in the County's basic financial statements as follows:

	<u>Federal Revenues</u>
Governmental Funds	
General Fund	\$ 50,002
Special Revenue Funds:	
Airport	733,431
Housing Commission	<u>42,657</u>
	<u>826,090</u>
Component Units (Operating grants):	
Health Department	1,081,650
Road Commission	1,288,624
Friend of the Court	538,656
Family Division – Juvenile	<u>42,184</u>
	<u>2,951,114</u>
Total Federal Revenues	<u><u>\$3,777,204</u></u>

**NOTE 6--RECONCILIATION**

Certain grants are comprised of both federal and state revenue. The percentage of this revenue mix varies from program to program and is not always easily identifiable. Consequently, certain federal grants may be classified as state grants in the general purpose financial statements. The following shows a reconciliation of revenues per the December 31, 2007 audited financial statements to expenditures per the Schedule of Federal Financial Assistance:

Federal Revenue as reported in the audited financial statements at December 31, 2007.	\$ 3,777,204
Alpena County Regional Airport Passenger Facility Charges not reported under the Single Audit.	(25,681)
Alpena County Regional Airport Federal Grants Funds administered by the Michigan Department of Transportation	(707,750)
Alpena County Road Commission Federal Grants Funds administered by the Michigan Department of Transportation.	(1,288,624)
Grant Funds previously reported as State funds received from the Michigan Department of Community Health determined to be a federally funded grant.	143,829
Value of vaccine provided by the Michigan Department of Community Health not previously reported as revenue on the financial statements	<u>596,068</u>
Expenditures per Schedule of Federal Financial Assistance	<u><u>\$ 2,495,046</u></u>

County of Alpena

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended December 31, 2007

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the County of Alpena, Michigan.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County of Alpena, Michigan, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions in internal control over Major Programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and Supplementary Schedule of Federal Financial Assistance.
5. The Auditors' Report on Compliance for Major Programs expresses an unqualified opinion.
6. The Auditors' report disclosed no instances of findings relative to the major federal award programs required to be reported under OMB Circular A-133.
7. Programs tested as major programs:

Promoting Safe and Stable Families	CFDA #93.556
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
8. The threshold for distinguishing Type A and Type B Programs was \$300,000.
9. The County of Alpena, Michigan was determined to be a low-risk auditee.

B. Summary of Findings Relating to the Financial Statements.

There were no findings relating to the financial statements which are required to be reported under generally accepted government auditing standards.

We noted certain matters that we reported to management of the County of Alpena, Michigan, in a separate letter dated May 30, 2008.

C. Findings and Questioned Costs of Major Federal Award Programs.

There were no findings or questioned costs related to the major federal award programs for the year ended December 31, 2007.

County of Alpena

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended December 31, 2007

D. Other Matters of Internal Control over Financial Reporting.

**Financial Statement Presentation**

As is the case with many smaller and medium-sized entities, the County of Alpena has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of the County's internal controls. In taking this required position, we must consider whether the County has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The County uses accounting software generated financial statements as a management tool to monitor the financial status of the County, prepare budgets and to compare current financial trends to historical information which is appropriate for the County. Due to the complexity of the required government-wide financial statements, proprietary fund reporting and related note disclosures, the County does not demonstrate the expertise to report in accordance with U.S. generally accepted accounting principles without auditor intervention.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result, the County lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

County of Alpena

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

For the year ended December 31, 2007

There were no findings or questioned costs in the prior year.

County of Alpena

**CORRECTIVE ACTION PLAN**

For the year ended December 31, 2007

A Corrective Action Plan is not required since there are no findings or questioned costs.

County of Alpena

**Schedule of Grant Number MSC 07-0756-HOA**

Application of Community Development Block Grant Funds

For the Grant Period January 1, 2007 Through December 31, 2007

<b>Activity</b>	<u>Approved Budget</u>	<u>Funds Expended To Date</u>	<u>Unexpended Balance</u>
Homeowner Assistance :			
Rehabilitation	\$ 164,000	\$ 25,691	\$ 138,309
Administrative Costs	<u>36,000</u>	<u>4,624</u>	<u>31,376</u>
Total	<u>\$ 200,000</u>	<u>\$ 30,315</u>	<u>\$ 169,685</u>